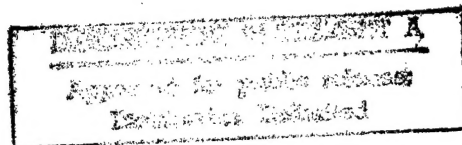


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15 October 1982



# China Report

ECONOMIC AFFAIRS

No. 272

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## CHINA REPORT ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### ENTERPRISES' NEED TO IMPROVE INTERNAL SYSTEM OF ECONOMIC RESPONSIBILITY STRESSED

Chengdu SICHUAN RIBAO in Chinese 28 Jun 82 p 2.

[Article by Xiang Jiagui [0686 0857 6311]: "How To Understand and Improve the Internal System of Economic Responsibility of Enterprises"]

[Text] Editor's note: Last May, the State Economic Commission held a symposium on learning from the experiences of Shoudu Iron and Steel Company. The leading comrades of the provincial party committee and the provincial government called on industrial and communications enterprises, particularly the first group of enterprises to undergo reorganization, throughout the province to organize the learning and popularization of these experiences. Therefore, this journal has invited Comrade Xiang Jiagui to write three articles under the titles "How To Understand and Improve the Internal System of Economic Responsibility of Enterprises," "The Basic Experiences of the System of Economic Responsibility in Shoudu Iron and Steel Company" and "How To Master the Experiences of Shoudu Iron and Steel Company" to be carried in this journal successively starting today.

Shoudu Iron and Steel Company is a typical, advanced unit emerging after the Third Plenary Session of the 11th Party Central Committee, when the focus of the work of the whole party was shifted to economic construction. The whole set of forms and methods used in the system of economic responsibility by this company on the basis of expanded decisionmaking power for the enterprises marked an important breakthrough in the restructuring of industrial management and provided successful experiences in setting up a new type of business management for socialist enterprises. Conscientious study and active popularization of its experiences are of very great significance to the all-round reorganization and the general improvement and utilization of our enterprises by blazing a new trail for economic development.

Industrial production is socialized mass production with many complex and constantly changing factors. The choice of the correct form of economic responsibility is still being explored in practice. As to the meaning of

economic responsibility, and the way to implement and improve it, comrades in the theoretical circles and those engaged in practical work have different views and adopted different methods. For example, the views held by people are usually that the system of economic responsibility means the system of profit sharing, or the system of responsibility for profits and losses; that a correct distribution of bonus means the improvement of the system of economic responsibility; and that the system of economic responsibility means the system of job responsibility with the addition of economic benefits. According to the practical experiences of Shoudu Iron and Steel Company, all these views and methods, though closely related to the implications of the system of economic responsibility, still do not grasp the essence of this system. The sharing of profits and the payment of bonuses can solve the problem of distribution, but do not give prominence to and solve the problem of economic responsibility as the primary concern. In the past, the system of job responsibility only dealt with the requirements of business, technology and work methods, but did not include economic responsibility as its basic substance. The responsibility for profits and losses is mainly intended for the solution of financial problems, but not based on the need for restructuring; and the defects brought forth by the responsibility purely for profits are only too well known. Therefore, in learning from Shoudu Iron and Steel Company's system of economic responsibility, we must once again realize the character, significance and goal of this system, set right our guiding thought, and ascertain the orientation of the improvement of the internal system of economic responsibility of enterprises. Shoudu Iron and Steel Company's idea of the system of economic responsibility is the system of business management under which responsibilities, rights and interests are closely combined with the improvement of economic results as the central task and under the guidance of state planning. Based on our observations in practice in the past several years, this company's summarization and description are relatively complete and accurate. Here are the three important points: First, all industrial enterprises must carry out their production and management under the guidance of state planning, and be careful in developing the supplementary role of regulation by the market. However, planned economy must play the leading role, and this is one of the important features distinguishing socialist from capitalist enterprises. Secondly, improving the overall economic results is the starting point as well as the basis of enforcing the system of economic responsibility. Thirdly, in the close combination of responsibilities, rights and interests, responsibilities are the core, rights are the condition, and interests are the motive force. Therefore, the improvement of the internal system of economic responsibility must begin with the fulfillment of responsibility, and not with distribution. If we are only concerned with the partial interests of the enterprises and the individuals and give little thought to the overall interests of the state in distribution, it can easily lead us on to the wrong path of "thinking of everything in terms of money."

Shoudu Iron and Steel Company has not only a distinctive guiding thought but also a concrete system of economic responsibility giving expression to this guiding thought. Following the principle of the combination of responsibilities, rights and interests, and with the improvement of economic results as the main goal, this company adopted the form of "responsibility, guarantee and cooperation" as a means of enabling the enterprise and the individuals to

fulfill their economic responsibility to the state. By this means, the main indices of the economic responsibility are analyzed step by step and then carried out by every functional organ, every factory or mine, every workshop, every work team and work shift, and every member of the enterprises including the leading cadres, level by level. Thus a system of economic responsibility is formed with its vertical and horizontal links working in harmony and everyone's goal and duty clearly spelled out. The so-called "responsibility" means the responsibility to complete the main economic indices on the part of the enterprise (or its affiliated units) as required by the state. The so-called "guarantee" means guaranteeing the completion of other economic and technical indices and the fulfillment of specific duties. The so-called "cooperation" means complying with the requests of other units in the neighborhood for cooperation. Then a set of scientific methods were worked out on the basis of "responsibility, guarantee and cooperation" for evaluation and rewarding. Fulfillment of responsibility at every level turned the general task of production and management of the company in that year into the common goal of tens of thousands of workers and staff members. The workers and staff members became masters of the company; democratic management of the enterprise became more realistic; and the all-round completion of state plans and the realization of economic results were more securely ensured. One of the most notable characteristics in the methods of this company is that responsibilities, rights and interests are truly combined with responsibility in the first place so that responsibility will determine rights and interests, and the system of job responsibility will be developed into a system of economic responsibility for every job. At the same time, by fulfilling the responsibility and providing the guarantee completely, the whole system of indices, all the tasks, and all the requests for cooperation will be included in the substance of responsibility, and the undesirable side effects of responsibility for profits alone can be avoided. That is why we say that this company's experiences mark a breakthrough in the development of expanded decisionmaking power for enterprises and in the traditional management system. We believe that whatever may be the economic policy of the form of financial distribution the state may adopt for enterprises, we should learn from and popularize the Shoudu Iron and Steel Company's experiences in improving and practicing the system of economic responsibility--the experiences which have been proved to be successful in practice.

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## NATIONAL POLICY AND ISSUES

### TECHNICAL REFORM OF EXISTING ENTERPRISES NECESSARY

Chengdu SICHUAN RIBAO in Chinese 29 Jun 82 p 1

[Article: "Getting a Grasp of Technical Reform in Existing Enterprises--Increasing Economic Benefits Is the Basic Starting Point for Considering All Economic Problems"]

[Text] Carrying out technical reform emphatically and step by step and bringing the role of existing enterprises into full play constitute an important policy for the establishment of our national economy. They also constitute a key measure for developing the national economy and for hastening the establishment of the four modernizations. We must conscientiously and thoroughly implement this policy and get a good grasp on this important item of work.

In the more than 30 years since the establishment of the nation, there has been a great development of industry in this province. At present there are over 40,000 enterprises in the province as a whole with fixed assets and circulating assets of several hundred million yuan. This is an important material basis for continued progress. From a certain standpoint, the past was a period in which investments were made and the foundations were laid for industrial reconstruction in this province. Now the time has arrived in which benefits have appeared and are playing a role. Future expansion of the national economy will depend primarily not on expanding the scale of capital construction but rather on bringing the existing foundation into full play, with a gradual shift from extension as the primary aspect to intension as the primary aspect. This is a basic change in economic construction policy, and we must make our own thinking and work adapt to this change in a self-conscious way.

We should see that our existing industrial foundation is far from playing a full role, that many major economic technical indicators are still comparatively backward by comparison to those for the state, and that economic benefits also are comparatively poor. At present, the problems of low product quality, limited variety of products, high consumption, and great waste are pronounced in a considerable portion of our industrial enterprises because of technical backwardness, old facilities, and aging technology. This is a major cause of the poor economic benefits in our province. If this situation is not changed quickly, we will encounter great difficulties in [our efforts to] increase economic benefits and accelerate the expansion of the economy. For this



reason, getting a grasp on the implementation of technical reform of existing enterprises has become an urgent and important task. We must have sufficient knowledge of this problem so that we can conscientiously change our past ideas of investing in and getting on with a matter and of engaging in new construction as soon as mention is made of expanding production, and [instead] genuinely base ourselves on our existing foundation, striving to do a good job of technical reform and bringing the role of existing enterprises into full play. Many enterprises have already moved ahead in this area and have achieved outstanding results. This in fact shows that getting a good grasp on the technical reform of existing enterprises can result in spending less money and getting more work done, that it is beneficial to regulating the economy and increasing accumulations, and that it is an economical and highly effective way of expanding industrial production and raising economic effectiveness. We must be sure to judge the time and size up the situation and grasp the opportunity to put the technical reform of existing enterprises in its due place, and to be conscientious about making it effective.

The technical reform of existing enterprises should set out from reality; its direction should be made clear and definite; its key points should stand out; and it should take its own course. Speaking from the standpoint of the province as a whole, technical reform should revolve closely around the core of increasing economic benefits, and its key point should be on solving the following problems: First, decrease the consumption of goods and materials and use resources in order to produce as many goods required by society as possible with as little consumption as possible; second, raise product quality, expand the variety of specifications, improve product performance, and increase competitive capacity; third decrease costs, increase profits, and accelerate the turnover of funds in order to provide greater accumulations for the state; and fourth, control pollution by the "three wastes," strengthen environmental protection, and improve working conditions. It should be emphatically pointed out that the energy crisis will be a prominent contradiction restricting economic development in our province for the present and into the future. In the near future, getting a good grasp on economizing of energy will be a major means of solving the energy problem. For this reason, technical reform of enterprises must take economizing energy as its core. A firm grasp must be gotten on replacing and reforming old technology and facilities with high energy consumption and low efficiency and on striving to decrease energy consumption. On the basis of the key points indicated above, in technical reform we must get a good hold on such comprehensive control measures as product upgrading and substitution, advances in technology, improvements in the level of management, replacement of equipment, and filling up and mending weak links. Under present conditions, the great majority of enterprises should put their emphasis on getting a good grasp on adding to or replacing individual items of key equipment, using new techniques, new technology and new materials, and strengthening work in such areas as new product design and trial manufacture, with the objective of achieving rapid increases in economic benefits.

The technical reform of existing enterprises must proceed in a planned way, step by step, and with emphasis on key points. We must integrate the technical reform of enterprises closely with industrial regulation and reorganization of enterprises. Practice demonstrates that we can obtain effects that supplement each other in this way, with reorganization and combination of enterprises providing favorable conditions for technical reform and replacement of equipment. Conversely, technical reform and replacement of equipment have promoted consolidation and improvement of economic combines, while the processes of reorganization and combination are processes that continuously produce the conditions for carrying out technical reform and change.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI GUANLI' REVIEWS PRESENT ECONOMY

HK241340 Beijing JINGJI GUANLI in Chinese No 8, 15 Aug 82 pp 5-7, 11

[Economic commentary by Zhou Chuan [0719 1557]: "The Present Economic Situation"--passages within slantlines published in boldface]

[Text] /Continuous Progress During Readjustment/

The first half of this year saw continuous progress during the readjustments in the national economy, and there has been development on all sides, producing a general economic situation much better than originally expected. The most important areas were:

/Relatively fast rises in industrial production and an economic turn for the better./ In the first half of this year, the country's gross industrial output value was 272.9 billion yuan, an increase of 10.1 percent over the same period last year. Light industry showed a growth of 10.7 percent and heavy industry 9.5 percent. In terms of production quantity, of the 100 major industrial products in the entire country, 86 had more than half completed their annual plan already. There were particularly large-scale increases in the quantity of heavy industrial production over the same period of the previous year, with coal standing at 319.45 million tons, an increase of 10.6 percent; electric energy production 160.1 billion kwh, an increase of 6.9 percent; steel products at 14.39 million tons, an increase of 10.8 percent; cement at 44.18 million tons, an increase of 14 percent; plate glass 17.35 million standard cases, an increase of 25.7 percent; hand controlled tractors 160,000, an increase of 40.3 percent; bicycles, sewing machines, watches, yarn, cloth, paper, cardboard, sugar, beer and all others saw increases of between 9 and 45 percent.

This year industrial production got off to a good start with the result that the economy has begun to turn around. In budgetary terms, from January to May of this year, nationalised industry and enterprises totaled 138.3 billion yuan in product trading, an increase of 10.3 percent over the same period last year. Profits totaled 21.1 billion yuan, an increase of 5.9 percent over the same period last year. Profits which went directly to the national coffers totaled 30.3 billion yuan, an increase of 9 percent over the same period last year.

/Summer crops show slight increase--the economy may look forward to a bumper harvest./ As villages and communes implement government policies, production enthusiasm among the peasants becomes ever greater. Since last winter the country has seen a number of natural disasters such as floods, drought, wind and excessive heat, but through the strength of the peasants and the commune members to resist such disasters, the effects has been lessened of the disasters on agricultural crops. As far as summer grain production is concerned, with the exception of one or two provinces, all of northern China has seen reduced grain production, whereas in the south, there have been large-scale increases. Provinces which have seen the largest increases include Jiangsu, Sichuan, Hubei and Zhejiang. It is expected that the total grain production for this year will show an increase of around 1 billion jin over last year. Production of rapeseed is expected to reach 92.49 million dan, an increase of 11.19 million, or 13.8 percent, over last year. This increase may be broken down province by province to show an increase 4.5 million dan in Anhui and 4 million dan in Jiangsu and Sichuan. Cotton, peanuts, sugar and tobacco also show good increases and hence this year we may see fruitful economic harvests.

/Market stability and prosperous trading./ Product purchasing in the commercial sector in the first half of this year totaled 118 billion yuan, a 10.4-percent increase over the same period last year, and within this figure, industrial products 11.4 percent. Retail purchasing of consumer and social products stood at 123 billion yuan, an increase of 9.5 percent over last year. Because of the constant increase in consumer product production, the purchasing power of the masses has likewise increased. At present, the market situation is experiencing considerable changes and now many products which used to be in short supply are readily available. On the other hand, some products which last year were very marketable have now become unmarketable. Many areas show that consumers are changing from being money hoarders and compulsive buyers to being money depositors and savers and selective buyers. How much money has been deposited in terms of savings? By the beginning of June savings banks in China showed total deposits this year of around 60.2 billion yuan, an increase of 7.8 billion yuan over the first 6 months of 1981. What products are falling under the category of selective buying? The most eagerly sought-after goods are those with well known brand names, new products and long-lasting, high-quality consumer products. These new trends illustrate two things. One is that there is obviously a healthy supply of goods which puts people at ease, and the other is that the continuous improvement in people's standards of living have prompted greater consumer demands from the people.

/Exports are greater than imports./ In the first half of this year, the total revenue for export products for the entire country stood at 21.4 billion yuan, an increase of 14.1 percent over the same period last year. The total value of exports showed an increase of 8.7 percent over last year, and exports outweighed imports by around 1.1 billion yuan.

/Financial revenue greater than expenditure--more currency withdrawn from circulation./ From January to May of this year, financial revenue showed an increase of 6.8 percent over the same period last year. [phrase indistinct]

balances expenditure, then balance is ensured, because income was greater than expenditure, there was an abundance of products on the market and by the end of May a total of 4.7 billion yuan had been withdrawn from circulation, more than 700 million yuan more than the same period last year.

The above statistics illustrate that the national economy is now well set on a stable, healthy, developing road.

#### /New Situations and Problems Arising Out of the Economy's Development/

As with all developmental changes, the changes and development of the national economy are complex and intricate.

The industry structure has seen new changes. Since April of this year the developmental rise in heavy industry has become noticeably fast, much more so than light industry. If one compares each month with the same period last year, one can see that heavy industry developed in April by some 10.5 percent and light industry by 9.8 percent. In April heavy industry showed a development speed of 10.7 percent and light industry, 9.8 percent. In June, heavy industry, 9.6 percent and light industry, 4.3 percent. As a result of this, the internal structure of industry has undergone some changes. The percentages of total production value that heavy industry represents in the entire industry was 53.1 percent in 1980. In 1981 it was 48.7 percent, and by May of this year it had already climbed back up to 50.4 percent. In June it stood at 51 percent. Such an upward surge in heavy industry is a good phenomenon in terms of production development, but the considerable speed of such development has put pressure on power, the railways and transportation. Restrictions on electrical supplies have meant that many industrial areas have had to put on the brakes and restrict electricity, the three major grids of Dongbei, Huadong and Jingtiantang being specific examples. Another new problem has been the piling up of unmarketable goods such as fine woven cloth, cotton socks, rubber shoes and radios, all of which are marketable for more than a year. Because a proportion of such products exceed rational limits of stocks and storage, the proportion of circulating funds that they represent also increases.

A third problem is the continued decrease in the sowing area of grain foods. During the last 3 years the total sowing area for grain has diminished by 84.44 million mu. This year the total sowing areas for spring wheat and rice decreased 9.29 million mu. While the sowing area for grain has been continuously decreasing, the sowing areas for cotton, oil, sugar and tobacco have increased, and the problem now is a question of profits. It is true that most areas are in this situation, even those that concentrate on grain production. In the 13 main grain-sowing areas throughout the country, there has been a reduction of 8.87 million mu between 1978 and 1981, meaning a reduction in grain harvests of over 3 billion jin.

#### /All Efforts on Developing the Present Good Situation/

When one examines negative factors in the generally good overall situation, it is useful to look at governmental policies to help overcome difficulties in development and thereby consolidate and further develop the situation. In order to fulfill the plan for the national economy this year, and at the

same time stabilize, revitalize and give additional support to the national economy, it is vital that readjustment policies continue to be carried out and put into effect and thereby produce an evident rise in the effectiveness of the economy. At the present newly-developed stage of the economy, we must concentrate on handling the following "four relations":

/1. The relation between grain crops and economic crops./ In the last few years a series of party policies have been carried out in the villages of various areas. These policies are based on the natural conditions of each area. These rational readjustments to the crop-sowing structure have been designed to promote the bilateral development of both grain and economic crops. The results have been good, but we must prevent this good tendency from developing into another one. At present some areas have no regard for national needs, and only demonstrate partial and local interests, and by putting undue emphasis on economic gains, gradually squeeze out land area used for grain. This tendency must be corrected as soon as possible. China has a large population and relatively little land and from now on we are going to experience limitations in agricultural land usage. As the population continues to increase, the grain supplies problem will come to a head. For this reason it is very important to establish good relations between grain and economic crops. We must make sure that grain production does not slack off and hence must introduce various types of management. While [word indistinct] the system of agricultural production administration, we must strengthen government administration, introduce new tax regulations and various other economic contracts and thereby put agricultural production work onto the right path within the sphere of the planned economy. We must ensure that the total sowing area for grain remains above 1.7 billion mu and find any way possible to raise production quality in all units. We must exploit all land areas available such as mountain areas, grasslands, rivers, lakes, and so on and thereby open wide the door to greater production. With the aim of establishing stable development for grain production we must ensure the general increase in economic and agricultural by-products production. Relevant information shows that grain production has improved considerably in Heilongjiang, Taihu in Jiangsu, Kangjiahu in Zhejiang, the Zhuhai Delta in Guangdong, Dongtinghu in Hunan, Poyanghu in Jiangxi, the Jiangnan Plains in Hubei and the Hexi corridor to Gansu. In order to attain the stable grain production levels of the previous 2 years, we must increase grain production by 13 billion jin.

/2. Proportional relations between light and heavy industry./ Preservation of the coordinated development of the proportional relations between the production of the means of production and the production of the means of subsistence is an extremely important economic policy. In addition, such an intention is the long-term aim of China's national economic construction program. Overemphasis on heavy industry and ignorance of light industry does not suit the specific conditions of our country. In Premier Zhao Ziyang's "Government Work Report" last year, he wrote, "We will now, for a considerable period of time, need to concentrate on the development of the consumer goods

industry." The continuous large-scale increase in the production of daily consumer goods over the last few years has set a certain speed of development in supplying the demands of the people in towns and the countryside, enriching the market, enlivening the economy and protecting industry as a whole as well as increasing economic revenue. Any problems which now arise in terms of marketing light industrial and textile goods must be seen as concrete work problems. As long as we put ample emphasis on production and circulation and adopt suitable measures, such problems can be overcome. The question of how to rationally organise the relations between light and heavy industry needs more research, although there are two factors which must, without a doubt, be tackled. One is that products being produced must meet the demands of society's present needs and in particular they must harmonize with the supply capacity of power resources. It has been estimated that for every 1 percent increase in the production value of heavy industry throughout the country, power consumption measures 1.62 billion kwh. For every 1 percent increase in the production value of light industry, power consumption measures 350 million kwh. In other words, the power consumption for every 100 million yuan of total production value is 4.6 times more for heavy industry than for light industry. On the basis of present power capacity and production, there is a need to limit the development speed of heavy industry. During the next few years the proportion of total production value that light industry occupies should rise above that of heavy industry. If heavy industry continues to develop at its present speed, it will put excessive pressure on power resources and communications. Hence, while heavy industry has made such sudden developments, from now on readjustments will have to be made.

/3. The relations between the speed of development of industry and benefits of the economy./ Industrial production development last year was very unbalanced, with little production increase in the first half of the year and great increases in the latter half. Because of variations in base figures, production increases in industry for the first half of this year were very fast and in the latter half there will be considerable slowing down. Nevertheless, the overall planned speed of development for this year is attainable without any problems. The problem is to establish a steady and unexaggerated speed and this task does have some difficulties attached to it. Although the economy saw improvements in the first 5 months of this year, it is still a long way off from what is required. For example, the proportion of circulating funds used by state-run industry and enterprises was 5 billion yuan more than the same period last year. Total profits increased by 5.9 percent, a considerable distance behind the speed of increase in industry. Enterprise losses stood at 30 percent. Hence, from now on we must concentrate our efforts, put some effective measures into action and ensure that the economy makes considerable improvements. 1) Continue to carry out and support the principle of "the six priorities" for light industry. Raise the production of priorities such as raw materials, power and communications to correspond with the needs of society and ensure the continued increase in production of consumer goods. 2) Improve industrial management and administration, raise product quality, increase



product variety, reduce material consumption and waste and produce even more marketable products. 3) Continue to readjust the aims of heavy industry; supply light industry and agricultural with more, improved machinery, equipment and raw materials; heavy industrial products with a high power consumption rate should be regulated in terms of production. 4) Get a grasp on the readjustments and reorganizations in enterprises. A turnabout should be produced in enterprises with backward production technology, low quality products, high energy consumption and large losses. 5) Improve the administrative style of commerce. Increase the amount of heavy industrial products in the countryside and thereby bring the 800 million peasants into closer contact with this enormous market. 6) Implement more financial discipline, increase revenue and restrain expenditure, thereby ensuring a relative increase in revenue.

/4. The relations between economic construction and the people's livelihood./ Since the third plenary session of the Central Committee, the party and the government have put into effect a series of measures designed to improve the livelihood of the people. In relation to the allocation of the national revenue, the government has introduced the policy of "two pressures, two increases" whereby accumulated funds are reduced and consumer funds increased. The proportion of the national revenue that accumulated funds represent has fallen from 36.5 percent in 1978 to 28.3 percent in 1981. The second "pressure" is that put on production investment, which increases nonproductive investment. Of the total amount of investments made for construction, production construction investment for extended reproduction represented 82.6 percent in 1978 and has fallen to 58.8 percent in 1981. Nonproductive construction investment used to fill the demands of people's material and cultural needs rose from 17.4 percent to 41.2 percent. Within the last 3 years the amount of nonproductive construction investment totaled 49.3 billion yuan, an increase of 1.4 times the total for the 10-year period of the Cultural Revolution. Of this figure, 29.1 billion yuan was used for housing, the total construction of which covered 232 million square meters, a twofold increase over the total building area constructed during the 10 years of the Cultural Revolution. Major readjustment in the proportional relations between accumulated and consumer funds have meant a turnabout in the previous situation of large amounts of accumulated funds and small amounts of consumer funds. There has been a important improvement in the relation between the meat and the bone of the economy. This is the great thing about readjustment--it is able to realign the activities of any aspect of the economy and promote stable reunification. The readjustment of the economy has produced two new situations. 1) The newly-increased national revenue has almost all been used in the consumer sector. In the 3 years from 1979 to 1981, the new, additional national revenue reached a total of 87.4 billion yuan, of which around 87.1 billion yuan was used as people's consumer and social consumer funds. National accumulated funds did not see any basic increase. 2) The national allocated revenue has decreased. Of the 87.4 billion yuan increased national revenue in the above-mentioned 3 years, trilateral allocation was as follows: an increase in the individual income of workers of 77.9 billion yuan, and an increase in enterprise revenue of 20 billion yuan, but the national income did not increase, in



fact it decreased by 10.7 billion yuan. Under the set historical conditions, an allocation of the national economy such as this is feasible and indeed necessary (the concrete reasons behind the creation of such a situation still require more study and analysis). But it cannot continue like this. If newly-increased national revenue is always allocated to the consumer sector every year and is not applied to extended reproduction, then there will be improvements in the people's livelihood, but in the long run material guarantees would be lost. The key question for the ability of the country to consolidate definite and vital finances is to find every way possible to increase production, construction, circulation and other areas of economic benefit. At the same time it is necessary to readjust the proportion that the national financial revenue represents of the national revenue as a whole. In this way the steady development of economic construction and the ever-increasing scale of social reproduction will bring a fundamental change to the structure of the national finances, causing continual improvements in the economic situation in general.

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## NATIONAL POLICY AND ISSUES

### IMPROVED PRODUCT QUALITY, VARIETY STRESSED

HK010914 Beijing JINGJI GUANLI in Chinese No 8, 15 Aug 82 pp 12-14

[Article by Jin Qize [6855 1142 3419]: "Give Priority to the Development of Variety and Improvement of Quality"]

[Text] Through our efforts in recent years, the quality of our products has basically been restored to the best level ever seen in history. There are some new product varieties which have reached international standards and have found their way into the international market. There has also been great improvement in the level of quality control. The results are remarkable. But viewed from the development of modernization and the needs of the people, there are still many problems. One is still the problem of one-sidedly seeking output value and the quantity of products by merely stressing "speed" to the neglect of quality. Low quality and obsolete variety have caused serious stockpiling and waste. Unstable quality is another problem. According to statistics from January to April this year, of the 1,736 kinds of products primarily selected for examination in the 26 provinces, municipalities and autonomous regions, the quality of 25.8 percent of the products dropped by varying degrees in comparison with the corresponding period of last year, and in some regions the quality of 30 percent of the products dropped. A serious quality accident even took place during the use of some products. The "quality month" activities have become a mere formality in some enterprises. Therefore, in our present economic work, we must make greater efforts in controlling the product quality.

At present, in controlling the product quality, we must do the following work:

First, we must raise our understanding, conscientiously implement the principle of "quality first" and give priority to the variety and quality of products in all economic work.

Recently, a leading comrade of the State Council pointed out: "In any case, we must firmly grasp the quality problem and give it top priority in our work." "If we do not give it top priority, it will be impossible to raise economic results." "If various industrial departments pay attention to quality, economic results can certainly be raised. This is the nose of a cow. It can

bring forward other work." Quality and variety have become a matter of great urgency in our economic work. They are the crux of whether our socialist four modernizations will be successful. This is where the life of the people, the prestige and the fundamental interests of the country lie. They are also an important manifestation of our socialist material and spiritual civilizations. If the product quality is bad, and the variety is not marketable, economic results cannot be raised, and we will not be able to realize the speed in development in a down-to-earth manner. If the product quality is bad and the variety is not marketable, export trade will lose its competitive ability. The state and the people have invested a lot of hard work. If they cannot obtain substantial benefit, the people's initiative in building socialism will be affected. Therefore, we must [word indistinct] understanding and carry out a change in our ideology and action. In assigning and examining our work, we must not forget the words "quality" and "variety." We must conscientiously give priority to the improvement of product quality and to the development of new products.

Second, we must do a good job in "serving the users" in various fields, and bring our industrial production into the orbit of organizing production according to the needs of the users.

"Serving the users" is a concrete manifestation of socialist enterprises in wholeheartedly "serving the people." It is the starting point and purpose of socialist enterprises in developing production. It is also the socially motive force of enterprises in developing production. Through "serving the users," enterprises can obtain information about the needs of society, information about how to improve the quality of products and information about how the users have improved the products they use in actual life. Such information is a reliable data for improving the structure and quality of products and for developing new products. The (Sloan) Management College of the Massachusetts Institute of Technology in the United States made a systematic study of more than 150 enterprises in 6 large companies. They found that 60-80 percent of successful technical innovations or new products came from the suggestions of the users or from absorbing innovations the users have made. It is obvious that "serving the users" is not a simple matter of repairing and replacing, nor is it a passive measure for dealing with quality problems that arise from accidents. It is a progressive and active method for promoting technology and the production of enterprises.

In foreign countries, entrepreneurs buy or collect such information at any cost. They make great efforts at home and abroad in waging the activities of "serving the users." Besides meeting the needs of the users for competitive reasons, they carry out the work of collecting information. So long as we conscientiously carry out the work of "serving the users," we can obtain much valuable information without spending any money. Why not go ahead with it?

Third, we must begin working out a medium- and short-term plan for "upgrading and replacing" products.

One outstanding problem is that the structure of China's industrial products is obsolete and the technological functions of these products are backward. Of the 28,000 kinds of mechanical and electrical products in China, more than 16,000 kinds, which account for approximately 60 percent of all mechanical and electrical products, are backward in function and are in urgent needs of renewal or else must be eliminated. In addition, we are unable to manufacture nearly 10,000 kinds of products. Most of the blowers and pumps now in use are fashioned after the pattern of old products of the Soviet Union popular between the 1950's and 1960's. They operate with low efficiency and high consumption. Over 70 percent of our industrial products remain at the level between the 1950's and 1960's, and about 20 percent of them remain at the level between the 1930's and 1940's. Of the 2.8 million machine tools throughout the country, ordinary machine tools account for over 85 percent, while precision, numerically controlled and combination machine tools account for only 4 percent. At present, the crux for improving the product quality is to implement the principle of "upgrading and replacing" products. Suitable old products must be constantly innovated on a stable basis. Their technological and economic level must be raised. We must develop new key products and be resolute in eliminating old products with backward structures and high energy consumption. In light of their specific conditions, various department must systematically analyze similar domestic and foreign products, work out a plan for "upgrading and replacing" key products, organize scientific and technological strength in various fields and carry out cooperation to tackle key problems. The plan for "upgrading and replacing" products must be organically combined with technical innovations and the import of technology. This must be regarded as an important component part of the plan for developing the national economy and given priority in respect to manpower and material and financial resources. We must carry out regular checkups and examinations and form a system of planned indices for quality and variety. We must strive to enable the variety and quality of our industrial products to take on a new look in 3-5 years or a few more years.

Fourth, we must further strengthen basic technical work.

The measuring, testing and controlling implements of many industrial enterprises in our country have long been out of repair. The coefficient of the working procedure of the equipment in these enterprises is too low. Their technical standards are few and backward. All this is not suited to the needs for stabilizing and improving the product quality.

In combination with the reorganization of enterprises and technical innovations, we must strengthen our measurement and testing work and renew the necessary measuring, testing and controlling implements. We must carry out the overall maintenance and management work of equipment in a planned way, raise the ability coefficient in working procedures and guarantee that production is under control.

Highly-developed industrial countries usually have more than 10,000 state technical standards, which are revised once in 3-5 years. However, we now

only have about 3,500 state standards, which were basically formulated between the 1950's and 1960's. Seventy-eight percent of these standards lags behind present international standards. How can products with such standards compete in the international market? We must speed up the formulation and revision of our technical standards and gradually adopt international standards. In this respect, we must emancipate our minds. In enterprises where conditions are ripe, international standards must be introduced first and then revised and made into state standards. In the First 5-Year Plan period, we adopted the standards of the Soviet Union, and they were rapidly popularized. In adopting international standards, we must supplement some necessary testing methods, and introducing technical measures needs money. But we cannot but make up our minds to realize this. Otherwise, technical standards will remain backward, and the quality problem will not be fundamentally solved. Various departments should cooperate with each other, put forward feasible reorganized technical standards and a plan for implementing international standards. All this must be gradually realized. On this basis, in the work of controlling and testing the product quality, we can introduce the system of issuing product certificates or quality certificates, a system which is used internationally. In this way, our products can further find their way on the international market.

Fifth, we must study and work out ways and methods for encouraging the enhancement of product quality and the development of new products.

In light of the specific conditions of Zhangzhou Municipality, the Zhangzhou People's Government of Fujian Province has recently promulgated "provisional methods for controlling the fund for rewarding those who create excellent and new products." It stipulates that 3 percent of the depreciation fund of enterprises, 5 percent of the fund for developing production and the fund for rewarding those who create excellent and new products which is deducted from wages as a punishment due to producing low-quality products are to be used for encouraging the enhancement of the quality of products and the development of new products. This is a very useful trial. Within their own functions and powers and through investigation and study or through establishing trial products, various departments and regions should work out some methods for encouraging the enhancement of product quality and the development of new products in respect to credit, taxation, prices, the distribution of profits, the ratio of rewards, the allocation of the costs for technological measures and of the costs for scientific research. Particularly, in the inland region where the transport line is long and management expenses are high, if we do not adopt some flexible and encouraging measures to improve the quality and variety of products, it will be difficult to enliven the economy.

At present, industrial enterprises are undergoing overall reorganization. The purpose of reorganizing enterprises is to enable enterprises to enhance the quality of their products, lower their production costs and raise economic results. Therefore, leading comrades of all enterprises and comrades sent by various departments and regions to help enterprises carry out overall reorganization should pay full attention to the reorganization and to raising of product quality.

Sixth, we must strengthen quality management institutions and perfect the socialist economic legal system.

In order to strengthen the leadership over quality management work in the restructuring of state organs, the state economic commission has, with the approval of the State Council, established a quality management bureau. Its main task is to formulate rules and regulations with regard to the management of quality and to the quality of products under the guidance of the relevant principles of the party Central Committee and the State Council and through investigation and study; to give impetus to the role of organizations and cooperation and gradually form a unified and strong-quality supervising system; to help the planning departments work out a plan for "upgrading and replacing" products and to organize the work for selecting superior quality products. In light of their specific conditions, various departments and regions should transfer the necessary highly-trained personnel to strengthen the building of quality management institutions. In addition, we must firmly grasp the work of formulating the regulations and system for controlling product quality, consummate and substantiate the network for supervising quality and strengthen the work of regularly supervising and checking the product quality, Quality supervising and testing departments such as quality control departments, departments of standards setting, measurement departments, commercial inspection departments, medicinal inspection departments, marine inspection departments, industrial and commercial administration departments and sanitation and anti-epidemic departments must, under a cooperative principle, boldly exercise their duties, help enterprises raise the product quality, strictly implement the socialist economic legal system and protect the legitimate interests of the users. We must seriously deal with and punish according to law those who interfere in and undermine the duties exercised by quality supervising departments, and those who willingly give trouble to and retaliate on quality controllers who exercise their functions and powers.

Seventh, we must further carry out overall quality control and extensively uphold mass group activities for controlling quality.

In many of our enterprises, there are still many traces of the mode of handicraft industrial production in their management, and there are also brands of the small peasant economy. All this is not suited to the needs of a socialist modernized industry. Therefore, we must firmly grasp our study, use scientific management methods and continue to popularize overall quality management. In the course of popularizing overall quality management, we must first understand well its basic concept and the relevant viewpoints. In combination with the original management system, we must digest and absorb new management methods, carry out well basic work, proceed in an orderly way and get rid of formalism.

Group activities for controlling quality are the basis for overall quality management. They are an important organizational form for the staff and workers to become masters of enterprises and to participate in the management of enterprises. They are also a form for the staff and workers to participate

in technical innovations and in carrying out the activities for putting forward rationalization proposals. Leading comrades at all levels should support and help these activities so as to enable them to develop healthily and to change the wisdom of the staff and workers into raising the product quality. Any collective unit or individual who makes remarkable achievements in raising the product quality should be praised or rewarded according to "regulations with regard to rewards for those who make rational proposals and for those who carry out technical innovations" and "regulations about rewarding and punishing the staff and workers" promulgated by the State Council.

In the course of popularizing overall quality management, some enterprises will possibly take a tortuous road. Some quality accidents will also take place in some enterprises due to unstable technological basic work. This is not unusual. On the contrary, it shows that our management system is not perfect enough and that we must do a better job in reorganizing enterprises and in strengthening technological basic work.

Through the "quality month" activities carried out this year, it is imperative to conscientiously sum up our experience and lessons in the past 30 years, and in particular to sum up our experience in the past 4-5 years. The purpose is to further understand the target of quality and the orientation and tasks of quality management work and to give priority to quality and variety in our economic work. This is a long-term strategic principle which we must seriously and conscientiously implement.

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## NATIONAL POLICY AND ISSUES

### DEVELOPING RURAL ECONOMY DISCUSSED

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[Article by Wang Jifu [3769 3444 1133] of Yantai Prefectural CPC Committee:  
"How To Further Develop the Economically Developed Rural Areas"]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, work has been done over the past period across the country to develop the one-third less-advanced rural areas. Thanks to these measures, an excellent situation has emerged in our agricultural production. In order to further implement the party's policies and consolidate and develop this situation across the country, it is necessary, as seen from the situation in Yantai Prefecture, to grasp the two ends and bring along the middle [zhua liang tou, dai zhong jian 2119 0357 7333 1601 0022 7035]. While it is imperative to continue to promote the agricultural production of the one-third less-advanced rural areas, it is also necessary at the same time to study how to solve the problems of the relatively advanced rural areas that also make up nearly one-third so that these areas will be able to fully display their advanced role in modernizing agriculture across the country and this work is a matter of strategic significance.

Yantai Prefecture is located on the Jiaodong Peninsula, with relatively advantageous natural conditions. It is one of the major commercial grain producing areas in Shandong Province and it has abundant peanuts, apples, pears and grapes. Like Suzhou Prefecture in the southern part of the Changjiang River and Foshan Prefecture, Yantai Prefecture also has a comparatively advanced rural economy. The productivity of Yantai prefecture has constantly developed over the past years. Statistics showed that last year, this prefecture had 30.8 horsepower of agricultural machinery per 100 mu of cultivated land. The acreage under mechanical cultivation was 71 percent, the acreage under irrigation was 59 percent; the acreage under irrigation in Huang County was 84 percent, the highest. Fertilizer application was 253 jin per mu. This prefecture is also characterized by a high level of scientific farming. Great changes have taken place in the agricultural economic structure. Last year, the number of laborers who undertook industrial sideline production and diversified economic management throughout the prefecture made up more than 55 percent of the total labor force in rural areas and the incomes of these undertakings made up 60.3 percent of the total



agricultural incomes. The rural economy is developing toward specialization and socialization. The peasants' living standard, including their daily necessities, has also experienced new changes. Since 1978, 520,000 peasant households have built new houses in the prefecture. Statistics up to the end of February this year showed that peasants have deposited 920 million yuan in banks. Yantai Prefecture was hit by serious drought last year and grain production decreased by 1.65 billion jin, but the average income of the rural population still increased slightly to more than 200 yuan. Now, the average public accumulation of each production brigade in the prefecture is 300,000 yuan. Of the total industrial and agricultural output value of the region in 1981, agricultural output value was 3.24 billion yuan, 42.7 percent of the total, while industrial output value was 4.34 billion yuan, 57.3 percent of the total. The purchase of commodities for foreign trade in 1981 was 850 million yuan, second only to Foshan and ranked second throughout the country.

The agricultural economic structure in Yantai has also changed considerably and public accumulation and the living standard of commune members are also comparatively high; in addition, this area has fairly advantageous conditions for exports. How should we further develop the economy of this area? Taken as a whole, our guiding ideology should be that we must persist in developing big agriculture. Following is our opinion as to how to do this.

1. With regard to guiding ideology and style of work, we must break away from the old concept of "agricultural prefectural party committees" and "agricultural county party committees" and the old convention that "agriculture means just growing crops." Prefectural and county party committees must be able to give guidance in carrying out diversified economic management; they can in no way restrict themselves to just guiding agricultural production on a small scale. They must be able to realize three changes, that is, to change from unitary operations to diversified and comprehensive development, from paying no attention to commodity production to producing various commodities with increasing output value and to constantly improve the commodity rate and to change from simple division of labor in agricultural production to specialized and socialized production. Economic theoretical circles are correct when they put forth the concepts of "big agriculture," "big grain" and "big animal husbandry." In the "60 work methods," Comrade Mao Zedong advocated comprehensive management of agriculture, forestry, animal husbandry, sideline production and fishery, and advocated 12 characters concerning crop growing and a couple of dozen points with regard to breeding for developing animal husbandry. Since the 3d Plenary Session of the 11th CPC Central Committee, the documents issued by this committee about agricultural production and the related directives issued by leading comrades from the committee have all shown this spirit for developing agriculture. In new situations, this spirit has undergone new development. This idea of undertaking big-scale agricultural production must be followed and implemented in building rural areas.

2. We must foster an idea of comprehensively developing agriculture, industry and commerce. We must also put agriculture in the first place because it is the foundation. But the situation in Yantai Prefecture shows that diversified

operations and the processing industry in rural areas are becoming more and more important and consequently they must be put in a proper position. There are 3.64 million laborers in the rural areas throughout the prefecture, of which 2 million are working in such sectors as industrial sideline production and diversified operations. This area has 12.52 million mu of cultivated land and if we undertake intensive farming on this acreage, 1 million laborers will be enough to do the job. The remaining 640,000 laborers are a very big latent force. Therefore, there is no way out other than to set up an economic structure of diversified operations; there are many ways in rural areas to undertake diversified operations. For example, we can develop in a big way the processing industry for agricultural products (of course, we must first of all meet the state purchase and distribution plans for such products as tobacco, oil-bearing crops, cotton and jute). Sweet potatoes, traditionally the staple diet in the Jiaodong Peninsula, now constitutes a lower proportion of the grain for consumption in the region. But sweet potatoes are drought-resistant, with a fairly low cost and high output. If we process this crop to produce starch and use the starch as material for producing vermicelli, we will be able to increase output value many times over. If we extract alcohol and citric acid from sweet potatoes, we will gain even higher profit.

3. With regard to management and administration, it is necessary to adapt to the needs of socialist big agriculture and introduce suitable forms of the production responsibility system. In the areas where the rural economy is relatively developed, the division of labor among specialized units is becoming more intensive and economic relations are becoming more complex. Under these conditions, it is imperative for us to improve the management level as quickly as possible so as to guarantee that the production structure with good circulation will become more complete, more rational, more scientific and more advanced, that better economic effects are achieved and that our thinking will accord with the thinking of big agriculture. To set up and perfect the production responsibility system is important in improving the management level. The view that regards the responsibility system mainly as a method for becoming rich and not for developing agriculture is wrong. To set up a perfect production responsibility system is imperative not only for the areas with relatively backward economy but also for the areas with relatively advanced economy. But as various places have different economic structures, different levels of productivity and the masses have different levels of consciousness, therefore they have to introduce different forms of production responsibility system. If the places with relatively advanced economy disregard their own specific conditions and engage in "double contracts" with all households, such a method will not only be detrimental to economic development but may also ruin the public accumulation that has been raised for many years and consequently there will appear a chaotic situation in diversified operations and division of labor among specialized units.

According to the spirit of the directives of the CPC Central Committee and according to the specific conditions in our region, we have, since this year, introduced the production responsibility system of "assigning production quotas

to specialized units and linking output with remuneration to labor." Concretely speaking, specialization comes first, linking comes later. In diversified operations and industrial sideline production, we have continued to perfect and introduce the method of "four suitable, four special and one link," that is, according to the features of various trades, production quotas are assigned to production teams, groups, households or individuals wherever suitable. With regard to the production of grain and oil-bearing crops, the production quotas and land are assigned according to labor force and the capability of each laborer on the basis of agreement and those assigned are responsible for awards or punishment according to the fulfillment or nonfulfillment of the quotas and all these measures can only be exercised under the situation of "seven unifications" in which production plans and the location of crops are unifiedly defined, farm tools, draught animals and water conservancy facilities are unifiedly managed and used, seeds, chemical fertilizer and pesticides are unifiedly used, labor force is unifiedly deployed, the products of grain and oil-bearing crops are unifiedly handled, accounting and distribution are unifiedly carried out and farmland capital construction is unifiedly undertaken.

In implementing the production responsibility system, we must stick to the following two points:

1) Persist in the orientation of collectivization. The responsibility system we are implementing now is in the interest of developing the collective economy. It is important to correctly handle the relations among the state, the collective and the individuals and we can in no way depart from state planning and the collective economy. We must mobilize the initiative of both aspects. Without the initiative of individual laborers there would be no superiority of the socialist economy while by merely relying on individual initiative, there will be no initiative of collective production, nor will the superiority of socialism be displayed. 2) Do not cut with one knife and practice four don'ts. The four don'ts mean do not let matters drift--strengthen the party's leadership; do not restrict rigidly; do not introduce forcibly and do not demand unanimously or forcibly.

4. Rationally set up a base for processing export-oriented goods. At present, the areas with a relatively advanced rural economy across the country are in general not far away from ports. And now there has gradually arisen a common problem as to how to rationally set up bases for processing export-oriented goods so that the rural economy will develop in a overall way. Yantai Prefecture has fairly good conditions for making products and building ports. But due to the restrictions of some of the present systems and regulations, most of the commodities for foreign trade produced by the region are exported through Qingdao and other ports. In 1981 the commodities purchased throughout the region for export were 850 million yuan, of which the value of the drawn-work products exported from Yantai was 130 million yuan, only 15.3 percent of the total. The present systems and rules and regulations have caused unnecessary damage to the state and the collective. Take fresh prawns for example. If the prawns are directly exported from Yantai to Japan, they are still in good

condition after shipment and therefore they have a higher foreign exchange rate. But now they are exported via Qingdao port after being processed into headless prawns. Consequently, with processing costs and lower foreign exchange rate, there is a price discrepancy of 2 to 3 times. In the past, Yantai Prefecture had direct sea links with Japan and Singapore, but now it does not even have navigation links with some ports in the country itself. It is true that leading comrades from the central government are very much concerned with port construction and sea links in Yantai Prefecture and they have issued directives on many occasions; but the implementation of these directives has been slow. In order to enable the areas with relatively advanced rural economy to make further progress, it is an urgent matter to solve the problems of exports.

5. Depend on science to guide big agriculture and work hard to exploit mental faculties. Economically advanced areas can make further progress only by relying on science and policies. The situation in the development of agriculture in Yantai Prefecture shows that all important breakthroughs in production are related with the results of absorbing, utilizing and popularizing new agricultural scientific research and with the turning of science into productivity. First, relying on science means that while we are fully displaying the advantages of the traditional agrotechnology of our country, we must also make wide use of the achievements of modern science and technology and take the road of less investment, low consumption, high efficiency and promoting ecological balance. There has appeared a tendency that merits our attention. That is, some people have disregarded reality and efficiency and they are blindly seeking so-called modern technology by gradually increasing the investment in "materialized labor" in agriculture every year and consequently they have increased production costs in agriculture. Another example is that some units have applied fertilizer irrationally and as a result, they have spoiled the soil structure. Therefore, it is necessary to combine modern science and technology with traditional agricultural technology. Second, the reform of agricultural technology must be carried out according to energy policy and the level of productivity of our country so as to define a rational structure for the motive power used in agriculture and for the energy structure. At present, in our effort to realize agricultural modernization, we must persist in combining mechanization with semimechanization and handicraft tools, in simultaneously using mechanical and electrical power, draught animal power and manpower and in comprehensively using coal, oil, electricity, biological energy, solar energy and methane. Third, we must do a good job in investigating agricultural resources and scientifically working out plans for the development of big agriculture. Yantai Prefecture is composed of 70 percent hilly areas and 30 percent plains and low land. It has a coast line with a length of 1,350 kilometers and several million mu of beaches and offshore waters for the marine breeding industry. Taken as a whole, the readjustment of the location of crop-growing areas in our region is rational. But the location of socialist big agriculture is just beginning. We do not really understand yet the situation of many resources and we still lack a scientific

basis for exploiting and utilizing these resources. This is also a very important problem that has to be solved in further developing the rural economy. Fourth, pay attention to investment in mental power and exploiting and utilizing talent. It is a common problem that we do not have enough agroscientific technicians and that our technical force is weak. In order to solve the lack of talent, we must pay attention to education in rural areas and train technicians through many channels. Efforts must be made to invest more in various scientific technicians in rural areas. Rural areas not only need technicians who understand agrotechnology but also need a great number of those who understand many branches of science in forestry, animal husbandry, sideline production, fishery and industry. Agrotechnicians who have made achievements in production and acquired knowledge through their own efforts must be employed through organizational appraisal so as to further display their role. Technicians of the level of agronomists and engineers from various places must be permitted, according to the needs of the country, to work in other places. It is necessary to implement the policy on technology and promote agrotechnicians to higher positions through examination. Those who have made achievements must be awarded and commended.

6. Step up urban construction so as to enable cities to set good examples to towns and to enable towns to promote cities and to constantly narrow the gap between workers and peasants and between urban and rural areas. Many production teams in Yantai Prefecture differ very little from cities in economic income and living conditions. But basically speaking, it will take a long time for the differences between workers and peasants and between cities and rural areas to be minimized. In this respect, leadership must pay attention to the following points. 1) Correctly handle the relationships between urban and rural areas and prevent and correct the one-sided view and methods that stress the importance of rural areas serving urban areas and neglect the importance of urban areas supporting rural areas. 2) Take active measures to organize cities and towns to "expand and disperse industry, and take processing outside the factories," so as to carry out economic cooperation with people's communes and production teams. The advantages of this method are that it is not necessary for the state to increase the work force, nor is it necessary for factories to increase investments or for cities to expand their commercial and service departments while they are able to promote production, increase the incomes of peasants and train a great many technicians for rural areas. 3) Step up the construction of cities, towns and market towns. Yantai Prefecture now has two municipalities: Yantai and Weihai; 16 towns and over 340 market towns. They are located in various places in the prefecture and constitute the political, economic and cultural centers and transportation hubs of the prefecture and economic and cultural links between the urban and rural areas. Most of them now have become bases for industry and sideline occupations run by the people's communes. In order to step up the construction of cities and towns, it is necessary to work out an overall and rational plan. With the aim of comprehensively developing agriculture, industry and commerce and developing production and people's life, we must make overall arrangements for municipal public facilities, housing construction, commercial and service facilities and cultural and health facilities. Help must be given in the form of manpower, material power and financial power so as to quicken the pace of this construction.

## NATIONAL POLICY AND ISSUES

### 'JINGJI GUANLI' DISCUSSES INDUSTRIAL ENTERPRISES

HK281321 Beijing JINGJI GUANLI in Chinese No 8, 15 Aug 82 pp 40-41

[Article by the Liaoning provincial office for reorganization of enterprises: "Five Standards for the Reorganization of Enterprises in Liaoning Province (Provisional)"]

[Text] Editor's note: In the course of the overall reorganization of enterprises, it is, at present, first necessary to do a good job in the reorganization of the "five tasks" and on this base, fulfill the "six good requirements" through the "three items of construction." In June this year, Liaoning Province formulated the check and acceptance standards for the five tasks as the goal of reorganization in the first stage. This method of carrying out the reorganization and check and acceptance of enterprises by stages is relatively practical. Here we publish the five standards specially for the reference of various localities. We made a few alterations in words and expressions. [end editor's note]

In accordance with the "Decision of the CPC Central Committee and the State Council on carrying out the overall reorganization of state industrial enterprises" and in the light of the provincial condition, centering around the present five tasks, such as the improvement of economic benefits and the strengthening of the economic responsibility system, we have formulated the following check and acceptance standards. The various localities, departments and enterprises are encouraged to draw up their own detailed rules and regulations for check and acceptance in the light of our standards and the requirements of the departments concerned under the State Council.

#### I. Reorganize and perfect the economic responsibility system.

In order to conscientiously implement the stipulations in relation to the documents of the State Council and the provincial government and in the light of the experiences of the Shuodu Iron and Steel Company, the following tasks should be fulfilled:

1. We must carry out the responsibilities which the enterprises should fulfill for the state and for the enterprises in an overall manner and do a good job in breaking down the economic and technical targets and tasks at each level of the internal departments of the enterprises. We must carry out a clear and



definite economic responsibility system, a stringent assessment method and a feasible system of rewards and penalties for the leading cadres in the enterprises, the managerial personnel in the functional departments and the workers at the production poses in the workshops. We must also combine responsibility, authority and benefit so that the economic interests of the staff and workers can be linked with the achievements of the collective and so that the labor contributions of the individual and the principle of to each according to his ability, to each according to his work can be reflected. We must mete out penalties or rewards as the case demands and not indulge in egalitarianism.

2. We must have a series of methods for implementation of distribution which can correctly handle the interests of the state, the enterprises and the staff and workers. While the largest share which the state should receive in distributing surplus revenue is ensured, the enterprises can retain a major part and the individual can get a considerable portion of the rest. Implementing the piece rate system must tally with the four requirements stipulated by the state and be linked with the final goods of the enterprises. The wage element of the per unit product cost must be reduced and the rate of income from piece work in excess of fixed quotas must not exceed 30 percent of the average wage in the enterprises. With regard to the level of bonus distribution among the staff and workers who practice the day work system, the targets checked and ratified by the responsible departments must be strictly implemented.

3. We must do a good job in overall management planning, work out yearly, quarterly and monthly production, technical and financial plans, bring the production and operational activities of the enterprises into line with the state plan and social demands, ensure even production, produce marketable goods and fulfill delivery contracts according to the required quality and quantity.

4. We must do a good job in overall quality control, carry out production in accordance with technical standards, set up and perfect the quality control organs and ensure that product quality should meet fixed standards. We must perfect the technical and marketing organizations which serve the users, unfold the mass quality control activities and manage to produce practical results.

5. We must do a good job in overall business accounting, practice a classified accounting system among the factory headquarters, workshops and production teams and groups according to the administrative levels of enterprises and manage to complete whatever we do and handle. We must set up accounting targets and organizational and managerial systems which together form a whole, put an end to the situation in which there is no one responsible in economic management affairs, overcome every form of tax evasion, effectively avoid waste and raise economic benefits.

6. New advances in the various basic work of management of enterprises should be made. We must try hard to ensure a fixed quota in labor and consumption and to have rules and regulations concerning the incoming and outgoing of goods and materials. The original records should be perfect and the measuring means complete. We must have quick access to information on economic activities.

7. We must try to eliminate losses suffered in operations and raise comprehensive economic benefits. Under a situation in which the product mix, the type of product designs and the commodity prices are roughly the same, the main economic and technical targets, such as quality, consumption, efficiency, cost, capital and profit, should reach the best levels in history. Those which have reached the best levels in history should catch up with and surpass the advanced levels throughout the province and the country. Comparable product costs should be reduced, the circulation turnover rate should be expedited and the targets of energy conservation which are passed down to the lower levels by the responsible departments should be fulfilled.

II. Reorganize and strengthen work discipline and strictly enforce regulations concerning rewards and disciplinary action.

8. In accordance with the "regulations concerning rewards and penalties for the staff and workers of enterprises" promulgated by the State Council and the "provisional stipulations concerning the strengthening of work discipline of enterprises" promulgated by the provincial government, we must formulate work discipline and regulations concerning rewards and disciplinary action of the specific enterprises. Frequent education in the spirit of being the masters of the country should be conducted among the staff and workers. Those staff and workers who have a correct attitude toward labor and have observed discipline, abided by the law and made outstanding achievements must be commended and given rewards in good time. Those who have violated work discipline, neglected official duties and acted contrary to state policies and decrees must be dealt with seriously. It is necessary to encourage a healthy atmosphere and healthy trends and check unhealthy trends and evil influences, and to effect remarkable changes in the mental outlook of the staff and workers.

9. Detailed stipulations for the specific enterprises should be worked out in the light of the "regulations for staff members and workers throughout the country" so that the overwhelming majority of staff and workers can conscientiously follow them and pay special attention to the "five stresses and four beautifuls." The factory should be kept clean and tidy and production carried out in a civilized way.

10. Sound rules and regulations concerning work attendance should be worked out, such as asking for leave and reporting back after a leave of absence. The rate of attendance and the man-hour utilization rate should approach or reach the historical peak levels of the enterprises.

III. Reorganize financial and economic discipline and improve financial and accounting rules and regulations.

11. We must have sound financial and accounting organs and necessary financial and accounting personnel. Medium and large-scale enterprises must carry out a financial responsibility system led by the chief accountant.

12. We must have all types of basic work needed in carrying out overall business accounting, including accounting documents. We must set up account books and financial and cost planning report forms, ensure the accuracy and reliability of the various figures, reflect the situation of operational activities accurately and make a regular analysis of the economic activities of enterprises.



13. It is necessary to strictly implement the various rules and regulations stipulated by the state as well as financial and economic disciplines. It is also necessary to pay taxes and hand profits over to the state according to stipulations and to handle affairs in the drawing of basic depreciation funds and other special funds, in the calculation of costs and in the distribution of bonuses according to the state's stipulations.

14. We must adhere to running enterprises industrially and thriftily and oppose extravagance and waste, strictly budget and carefully calculate the consumption of manpower and material and financial resources, properly take care of the various property and goods and materials and ensure the accounts correspond to the goods and materials.

15. We must practice democracy in financial affairs, regularly report on financial matters to the staff and workers' congresses and accept supervision by the masses.

IV. Reorganize work units, arrange production according to a fixed number of workers and fixed quotas and systematically train all staff and workers.

16. The organizational setups and work units of the internal departments of enterprises must be small but sagacious and rational. We must carry out a job duty system with a fixed number of workers in the functional offices, workshops and production teams and groups, which should be provided with staff and workers according to the required standards of quality and quantity. Most of the staff and workers whose work load can be measured or checked should carry out an average level of fixed production quotas. Among those staff and workers who have difficulty in carrying out production according to fixed quotas, a clear and definite job responsibility system should be set up. Those staff and workers carrying out independent operations who pass a technical assessment should be given job identification. Temporary identification cards could be possibly given to those who fail in the assessment but who are needed to stay at their posts for the time being and who would be asked to pass the assessment within a definite time.

17. Surplus personnel have made initial arrangements, and initial achievements have been scored in opening up new prospects in production and expanding the field of service. The factory-run enterprises under the collective ownership system must practice independent operations and independent accounting and assume full responsibility for their own profits and losses and must not squeeze and seize the profits of state-owned enterprises for other purposes.

18. The education of staff and workers in such things as ideology, planning, organization and measures should be implemented in all fields. We must have a long-range program and an annual plan for training all staff and workers and implement it conscientiously. Large- and small-scale enterprises which meet the conditions must set up training centers or training bases and provide them with full-time teachers according to stipulations and put someone in charge of the work of training the staff and members.

## V. Reorganize and build leading bodies.

It is imperative to earnestly implement the "provisional regulations concerning the staff and workers' congresses in state-owned factories" and the "regulations concerning the work of grassroots organizations of the CPC in industrial enterprises" which will soon be promulgated. To set up the factory director responsibility system and the staff and workers' congresses, both under the leadership of the party committee, we must first do the following things:

19. We must streamline the leading bodies and competently fill them with the proper party and government posts. Generally speaking, a large-scale enterprise should be equipped with five to six factory directors and deputy directors; a medium-scale enterprise with four to five factory directors and deputy directors; and a small enterprise with two to three factory directors and deputy directors. Except for large-scale enterprises, all enterprises should be provided, as far as possible, with factory directors and deputy directors who are under 50, with the age ceiling being 55. Among the leading cadres who hold deputy positions, those who have an educational level of technical secondary schools and the title of a technical or professional post and who are under 50 must constitute more than one-half the total sum. Outstanding young and middle-aged cadres should be promoted to leading posts. Old and infirm cadres who are incompetent at their job must be properly dealt with according to stipulations related to policy. The leading bodies of the workshops and offices of enterprises must also be reorganized.

20. The members of the leading bodies of the party committee must have a good party style and work style, set an example in everything, strictly carry out the guiding principles for inner-party political life and the state's policies and decrees. They must maintain close ties with the masses, be bold to make criticisms and self-criticisms, dare to support healthy tendencies and check unhealthy ones, correct the unhealthy practices in the economic field and strike blows at illegal and criminal activities so that the party committees, in the enterprises can become a firm and powerful leading core force which will unite the broad masses of staff and workers, implement the party's principles and policies and uphold the socialist orientation and democratic centralism.

21. There must a clear distinction between the functions of the party and those of the government. The party committees in the enterprises must concentrate their main energy and effort on party building and the strengthening of ideological and political work, on giving play to the roles of the mass organizations, such as the trade unions and the CYL, so as to make the education in the four basic principles, in the situation, in patriotism and in the sense of responsibility of the staff and workers being the masters of the country a regular practice. They must make the activities of "ardently loving the motherland, ardently loving the party and ardently loving socialism, becoming the masters of the country, making new contributions and

fostering new customs" and creating the "six-good enterprises" by emulating and learning from the advanced and helping the less advanced, a regular practice and try to make them a success. The director of a factory should practice unified direction in production and administrative work and the deputy directors, chief engineer and chief accountant of a factory should perform their own duties under the leadership of the factory director. Factory headquarters, workshops and production teams and groups must practice the responsibility systems at each level and set up a feasible and effective system which directs production and coordinates all types of work.

[Phrase indistinct] We must establish and perfect the system of the staff and workers congresses and draw up the detailed rules and regulations for its implementation in specific units. A staff and workers congress must hold a regular congress to discuss the major questions of the enterprises and exercise the "five powers" stipulated in the "provisional regulations." It must elect representatives strictly in accordance with democratic procedures, determine the subjects for discussion, pool various proposals, discuss them and make decisions on this basis. The staff and workers congresses must have whole organizational setups and rules and regulations concerning their activities. While the congresses are in recess, it is encouraged that the representatives to the congresses be frequently organized to check on the implementation of the decisions and proposals of the congresses. A democratic management system should be set up in the workshop and production teams and groups. It is necessary to provide the trade union with a cadre who holds a deputy position in the factory to be its chairman and it is necessary for the trade union to give full play to its role as the working organ of the staff and workers congresses.

CSO: 4006/22

## ECONOMIC PLANNING

### COMMUNIQUE PROVIDES STATISTICS ON 1981 ECONOMIC ACCOMPLISHMENTS

Lanzhou GANSU RIBAO in Chinese 5 Jul 82 p 2

[Article by Gansu Provincial Bureau of Statistics: "Communique on Results of Implementation Throughout the Province of 1981 National Economic Plan (3 July 1982)]

[Text] During 1981, all nationalities in Gansu Province did a great amount of work and overcame numerous difficulties in diligently carrying out the CCP Committee's program for further economic readjustment and further political stability, and for the realization of readjustment tasks for a "stable economy" passed by the Third Session of the Fifth National People's Congress, and the 1981 national economic plan for the province approved by the Seventh Session of the Provincial National People's Congress Standing Committee. New accomplishments have been made in development of the national economy and of society, and the economic situation is good in an overall sense. However, economic benefits have been fairly poor, and some problems meriting serious attention and requiring solution also exist in readjustment.

The situation in plan execution by each sector of the national economy was as follows:

#### 1. Agriculture

During 1981 the entire province experienced natural disasters in the form of serious drought, floods, and waterlogging. The disaster area amounted to 53.9 percent of the area sown to agricultural crops. Nevertheless, as a result of assiduous implementation of a series of policies and programs on development of agriculture that followed from the Third Plenary Session of the 11th Party Central Committee, the further promotion and perfection of various forms of production responsibility systems that have aroused the enthusiasm of the broad masses of cadres and commune members, plus vigorous support given by the CCP Central Committee, the State Council, and the People's Liberation Army, damage resulting from the natural disasters was greatly reduced. Except for a drop in output of grain and oil-bearing crops, varying degrees of development occurred in output of other economic crops and of commune member household sideline occupations. Figured on the basis of constant 1980 prices, gross output value of agriculture for the province was 2.85 billion yuan, and 89.4 percent of plan was fulfilled, 8 percent less than during the previous year. Grain output totaled 8.7 billion jin, 1.15 billion jin less than the previous

year. Cotton output was 80,000 dan, 26,000 dan more than in 1980. Oil-bearing crop output (including sunflower seeds) was 2.64 million dan, 150,000 dan less than in 1980. Sugarbeet output amounted to 2.12 million dan, an 860,000 dan increase over 1980. Tobacco output was 15.71 million jin, a 5.92 million jin increase over 1980.

During 1981 a 968,000 mu area of the province was afforested, 112,000 mu more than in 1980. At the end of 1981 seedlings were growing on a 104,000 mu area, 63,000 mu less than in 1980.

In the livestock field, output of pork, beef, mutton, and goat meat totaled 282.37 million jin, 2.33 million jin increase over 1980. Large livestock animals in inventory at year's end numbered 4,129,000 head, a net increase over 1980 of 205,000 head. Live hogs in inventory number 4.09 million, down by 149,000 from 1980. Sheep in inventory numbered 11,676,000 head, 199,000 fewer than in 1980. Fattened hogs removed from inventory during the year totaled 2,542,000 head, 41,000 head fewer than during 1980. Carcass-type sheep and goats removed from inventory numbered 933,000 head, 18,000 head less than in 1980. Carcass-type beef removed from inventory numbered 80,000, 7,000 more than in 1980.

Further improvement took place in agricultural production conditions. During the year grass was planted on 660,000 mu of barren mountains and mountain slopes; 147,000 mu of level terraced fields were built; and the effectively irrigated area increased to 12.74 million mu. The number of large and medium size tractors increased to 17,405, and the number of small and hand tractors increased to 57,000. Farm trucks increased to 4,384. Rural electricity use increased to 870 million kilowatt hours.

## 2. Industry

During 1981 the province's industrial production overcame shortages of raw materials and several railroad interruptions. Gross output value of industry figured in terms of constant 1980 prices amounted to 6.974 billion yuan for a 100.3 percent fulfillment of required plan, but a 6.6 percent decline from 1980. This included fulfillment of a gross output value for light industry of 1.727 billion yuan, up 5.7 percent from 1980, and a gross output value for heavy industry of 5.246 billion yuan, down 10 percent from 1980.

Output of 68 of 175 major products was greater than in 1980. Of 131 kinds of products included in plan, production of 74 kinds was fulfilled or over-fulfilled. This amounted to 56.5 percent of plan goods.

Outputs of major industrial goods were as follows:

Cotton yarn, 14,900 tons, up 25.9 percent from 1980; cotton cloth, 66.2 million meters, up 6.6 percent from 1980; synthetic fiber, 11,900 tons, up 1 percent from 1980; wool fabric, 5,233,600 meters, up 9.8 percent from 1980; 1,081,800 blankets, up 15.3 percent from 1980; and 2,804 tons of woolen yarn, up 18.8 percent from 1980. Light bulbs produced numbered 12.87 million, up 1.8 percent from 1980; matches, 362,600 up 7.8 percent from 1980; cigarettes, 142,500 cases, up 6 percent from 1980; sugar, 8,109 tons, up 24.6 percent

from 1980; radio receivers, 42,000 up 110.8 percent from 1980; television sets, 45,700 up 74.4 percent from 1980; leather shoes, 1,245,000 pair, up 24.9 percent from 1980; quantity of electricity generated, 12.141 billion kilowatt hours, a 1.6 percent increase from 1980; raw coal, 1,372,300 tons, up 1.3 percent from 1980; amount of crude oil processed, 2,845,000 tons, down 7.7 percent from 1980; steel, 149,700 tons, down 11.9 percent from 1980; pig iron, 385,600 tons, down 20.7 percent from 1980; copper, 39,200 tons, down 15 percent from 1980; aluminum 96,600 tons, down 1.5 percent from 1980; nickel, 8,641 tons, down 7.5 percent from 1980; sulfuric acid, 280,000 tons, down 3.9 percent from 1980; agricultural chemical fertilizer, 190,000 tons, down 3.1 percent from 1980; plastics, 48,400 tons, down 3.1 percent from 1980; synthetic rubber, 39,900 tons, down 2.1 percent from 1980; cement, 1,683,000 tons, down 6.2 percent from 1980; lumber, and 450,000 cubic meters, down 26.3 percent from 1980; plate glass 874,700 standard cases, down 16.3 percent from 1980.

Quality of industrial goods rose. In 1981 the province produced 76 kinds of top quality goods, including 85 octane gasoline and toluene from the Lanzhou Petroleum Refinery; butadiene styrene rubber from the Lanzhou Chemical Industry Company, chloride rare earth from the Gansu Rare Earth Company; and jinkui xianqi pills [6855 0566 6343 3049 0029], one of five products of the Foci Pharmaceutical Plant for which the state issued a top quality award. Thirteen of 29 quality standards inspected by the Provincial Statistical Bureau were higher this year than last.

However, as a result of a drop in the level of production and poor administration and management, economic benefits from industrial production were fairly poor. Of 92 indicators of material consumption per unit of product that could be compared, 50 were lower than last year, and 41 were higher. The labor productivity rate for all personnel in industrial enterprises owned by all the people was 11,124 yuan, a 9.7 percent decline from 1980. Total product cost of products that could be compared from industrial enterprises having independent accounting owned by all the people rose 1.3 percent over 1980. Fixed quota circulation funds increased by 2.2 percent over 1980; the number of loss enterprises increased by 78 over 1980, the extent of losses increasing to 25.7 percent; industrial output value per 100 yuan of fixed assets value fell by 13.3 percent from 1980; profits per 100 yuan of industrial gross output value were 20.9 percent less than 1980; and circulating capital used per 100 yuan of income from sales increased by 5.5 percent as compared with 1980.

### 3. Capital Construction

The scope of capital construction shrunk further, and substantial readjustments were also made in the orientation of investment. In 1981, total investment in completed capital construction was 703 million yuan, a 154 million reduction from 1980. Newly added fixed assets had a value of 538 million yuan, and the fixed asset delivered utilization rate was 76.5 percent. As a result of readjustment of the orientation of investment, the ratio of investment in the transportation and post and telegraphs, cultural, education, and health, scientific research, business and trade, and urban construction sectors increased in varying degrees. The investment of 378 million yuan in production-type construction declined as a ratio of total investment from 57.6 percent in 1980 to 53.8 percent. The 325 million yuan investment in non-productive

type construction needed to satisfy the people's material and cultural life rose as a ratio of the total sum of investment from the 42.4 percent of last year to 46.2 percent. Investment in the light and textile industries reached 35.01 million yuan, up 20.1 percent from 1980, and rose as a ratio of total investment from the 3.4 percent of 1980 to 5 percent.

Of the 26 key projects planned to be completed and go into production in the province during 1981, 22 were finished. Of the 64 individual projects planned for completion, 56 were completed and provided benefits. Newly added capabilities (or benefits) from capital construction for the year as a whole were mainly the following: 300,000 tons of cement, 300,000 tons of iron ore mined; 100,000 kilowatts of electricity generating units; 2,300 tons of mining equipment manufactured; 120,000 pairs of leather shoes; 150 kilometers of 110,000 volt electric power transmission lines, 41 kilometers of railroads, 93 kilometers of highways, 147 kilometers of long distance telephone wire; and 6 million cubic meters of reservoirs. The housing area on which construction was finished during the year was 2,014,000 square meters.

#### 4. Transportation and Posts and Telegraphs

During 1981 railroad transportation sustained disaster damage on several occasions. On the Longhai line, the Baoji-Tianshui section caved in three times interrupting service for 1017 hours. However, as a result of strengthening of transportation organizational work, which improved work efficiency, plan was still completed. Railroad cargo handled within the province for the year as a whole amounted to 18.67 million tons for a 2 percent overfulfillment of plan. Quantity of railroad cargo turned over was 14.02 billion ton kilometers, which was 100.1 percent of the annual plan. Volume of passenger travel within the province was 7.51 million people, a 3.3 percent overfulfillment of plan. Railroad passenger travel turnover volume was 4.57 billion passenger kilometers, 8.9 percent overfulfillment of plan. Though railroad transportation fulfilled the plan, it continued extremely hectic.

During 1981, volume of highway cargo moved was 13.17 million tons, 24.4 percent less than during 1980. Highway freight turnover amounted to 691.8 million ton kilometers, 21 percent less than in 1980. Highway passenger volume fulfilled was 31.23 million people, 2.8 percent more than in 1980. Highway passenger turnover volume was 1.56 billion passenger kilometers, up 3.7 percent from 1980.

In 1981 the total amount of posts and telegraphs business for the province as a whole calculated in terms of constant 1980 prices was 34.43 million yuan, down 0.8 percent from 1980.

#### 5. Trade and Prices

In 1981 more commodity retail network outlets were established, flow channels widened, flow links reduced, business methods made more lively and diverse, and urban and rural markets continued brisk.

Net procurement by businesses owned by all the people amounted to 2.406 billion yuan, down 1.5 percent from 1980. This included procurement of agricultural products totaling 692 million yuan, up 1.6 percent from 1980; and procurement



of industrial products within the province totaling 1.455 billion yuan, down 6.7 percent from 1980. Among agricultural sideline products procured (grain purchased at negotiated prices) increased by 10.47 million jin; cotton increased by 29,000 dan, edible oils increased by 13.79 million jin, fattened hogs increased by 87,600 head, carcass-type beef increased by 11,200 head, and carcass-type mutton increased by 6,200 head.

In 1981 retail sales of social commodities totaled 3.281 billion yuan, up 7.9 percent from 1980. This included retail sales of consumption goods amounting to 2.807 billion yuan, up 9.4 percent from 1980. Retail sales of agricultural means of production totaled 366 million yuan, down 7.3 percent from 1980. Among the total retail sales figure for social commodities sales figures for businesses and food and beverage industries owned by all the people amounted to 1.663 billion yuan, a 1.6 percent increase over 1980. Retail sales figures for businesses and food and beverages industries owned by collectives amounted to 171 million yuan, 2.5 times the 1980 volume. Retail sales figures for business and food and beverage industries operated by authorized individuals amounted to 37.91 million yuan, 2.4 times the 1980 amount. Silks and satins increased by 6.7 percent; sewing machines increased by 8.8 percent; and television sets increased by 23 percent.

Following 3 consecutive years of growth, procurement for foreign trade saw additional substantial growth. Total procurement of export commodities by the Provincial Foreign Trade Bureau amounted to 309 million yuan for a 122.5 fulfillment of plan, a 58.9 percent increase over 1980. Direct exports for the year as a whole amounted to \$43.36 million for 103.2 percent fulfillment of plan, a 10.4 percent increase over 1980. Commodities procured throughout the province for foreign trade numbered more than 200 varieties.

Prices rose slightly. Procurement list prices for agricultural sideline products were 4.2 percent higher than in 1980. This plus a 7.7 percent increase over 1980 in negotiated prices and added prices paid for excess procurement has meant an increase in peasant income. Retail list price overall levels for commodities from state-owned businesses rose 1.61 percent. This included a 2.15 percent increase in cities and a 0.57 percent increase in rural villages. Consumption goods prices rose 1.7 percent, and prices of the means of agricultural production declined by 0.17 percent. Among retail price changes for consumer goods was a 2.7 percent increase in food prices (non-staple food prices rose 3.98 percent with the price of vegetables climbing 9.41 percent); clothing prices fell 0.59 percent; daily necessities rose in price by 0.06 percent; prices of cultural and entertainment items rose 0.45 percent; medicine prices rose 3.22 percent; and fuel prices rose 0.83 percent. Country fair trade prices rose 1.65 percent.

## 6. Science, Education and Culture

During 1981, progress on virtually all the 145 key research projects in the province's plan met plan requirements. These included improvement of the southern Gansu prairie, initiator K, a high precision gear-hobbing machine, and gaowutou [7559 3527 7333], which were among 12 things already appraised, some of which have begun to be used in production. Progress was also made



in research work involving grain production, economic diversification, the light and textile industries, energy development and conservation, and light construction materials.

During 1981 readjustment work continued to be carried out on the education front with cutbacks in senior middle school and the addition of a first year of senior middle school to junior middle school for a strengthening of primary schools and an enhancement of junior middle schools. The "bloated" situation was overcome. Ordinary institutions of higher learning enrolled 4,102 students for a 104.3 percent fulfillment of plan. Students in school number 20,887, a 15.4 percent increase over 1980. Secondary vocational schools (including teacher training schools) enrolled 9,195 students for a 100.4 fulfillment of plan. Students attending a school number 22,793, 15 percent fewer than in 1980. Students enrolled in middle schools numbered 843,000, 12.9 percent fewer than last year. Students attending primary school numbered 2,971,000, 6.8 percent fewer than in 1980. The number of students in after hours education, radio broadcast, and television university training increased.

In 1981 there were nine museums in the province, 324 mass art museums, cultural palaces, and culture stations, and 41 public libraries having a total of 4,102,000 books. There were a total of 98 artistic troupes who performed 18,700 times. Movie projection units of various kinds numbered 2,385 and 509,000 showings were made. The province had two radio broadcasting stations, 10 radio transmitter stations and relay stations, one central television station, and five television transmitter stations and broadcast relay stations, and 186 television differential transfer units.

## 7. Health and Physical Education

During 1981 health and medical enterprises developed throughout the province. Medical organizations number 3,820, a 4 percent increase over 1980. Beds numbered 36,500, a 1.2 percent increase over 1980. There were a total of 53,900 medical technical personnel, a 10.3 percent increase over 1980. This included 24,600 rural medical technical personnel, a 9.2 percent increase over 1980.

In 1981 athletes from the province broke a national record. The province held 658 athletic meets above the county (or district) level attended by 150,200 athletes.

## 8. People's Livelihood

The year 1981 saw continued improvement in the standard of living of both urban and rural people. A survey of 420 commune member households in 14 counties showed peasant average net annual income to be 158.63 yuan, a 7.34 yuan increase over 1980 for a 4.9 percent increase. This included net earnings of 53.44 yuan from household sideline occupations, a 12.73 yuan increase over 1980 for a 31.3 percent increase.

As of the end of 1981, the number of workers and staff members in the province was 1,799,000, a 53,000 increase over the end of 1980. Staff and workers in units owned by all the people numbered 112,000, a 2.3 percent increase over

1980. Staff and workers in collectively owned units numbered 187,000, a 10 percent increase over 1980. Total wages paid by units owned by all the people amounted to 1.433 billion yuan, a 6.4 percent increase over 1980. Wages paid by collectively owned units totaled 117 million yuan, a 9.4 percent increase over 1980.

During the year employment was arranged for 107,000 people in cities and towns. This included 69,000 employed in units owned by all the people, 37,000 people employed in units owned by collectives, and 11,000 self-employed laborers. The job of placing persons awaiting employment throughout the province remains a formidable one.

Investment during 1981 in completed dwellings totaled 209 million, which was 29.8 percent of total investment in capital construction. The area dedicated for dwellings was 1.35 million square meters, which is capable of accommodating dwellings for 27,000 staff and worker households. Housing construction by urban rural residents themselves also increased remarkably.

Savings accounts of urban and rural residents continued to grow. At the end of 1981 rural and urban savings amounts continued 786.52 million yuan, 25.8 percent more than at the beginning of the year. This included 650.11 million in savings by urban and town residents, a 25.6 percent increase; and 136.41 million in savings by rural commune members for a 16.5 percent increase.

#### 9. Population

At the end of 1981 the province had a population of 19,414,000 people, a 230,000 or 1.2 percent increase over the 19.18 million people at the end of 1980.

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CSO: 4006/566

## ECONOMIC PLANNING

### GUANGDONG OFFICIAL DISCUSSES ECONOMIC DEVELOPMENT WORK

HK160844 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 15 Sep 82

[Summary] A reporter of the Guangdong Provincial Broadcasting Station interviewed (Wei Zhendong), vice chairman of the provincial economic committee [no date given], and asked him to talk about the importance of doing well in communications, transport, postal work and telecommunications to the economic development and about what work in this aspect on which the province is embarking.

(Wei Zhendong) said: [begin recording] "In his report at the 12th Party Congress, Comrade Hu Yaobang regarded the solution of the problem of communications as one of the strategic key points for developing economic construction. No doubt, it is very correct to vigorously strengthen the building of communications, transport, postal work and telecommunications. Communications, postal work and telecommunications are closely bound up with and closely related to economic construction and the people's livelihood. We can say that without a developed communications system, there will be no modern economic construction." [end recording]

(Wei Zhendong) said: [begin recording] "Over the past 33 years since the founding of the country, communications and transport in our province has very greatly developed. However, communications and transport cannot now meet the needs of the development of the national economy and the people's livelihood." [end recording] Because of this, some 3 million tons of materials cannot be transported to the province from other provinces each year. Postal work and telecommunications are very backward. To speed up economic development, it is necessary to vigorously strengthen the building of communications, transport, postal work and telecommunications.

(Wei Zhendong) said that since the 3d Plenary Session of the 11th CPC Central Committee, communications, transport, postal work and telecommunications in the province have improved. The State Council has approved the building of the double track of the Hengyang-Guangzhou railroad, which will be completed by 1987. The main roads from Guangzhou to Shenzhen, Zhuhai, Shantou and Zhangjiang, from Huiyang to Shenzhen and from Shantou to Shenzhen are being under

construction. Huangpu, Zhanjiang, Guangzhou, Shantou, Zhaoqing and Jiangmen ports are either under construction or are being expanded. There are plans to build a ground satellite station in Guangzhou, which will carry out communications via satellite. Microwave communications projects from Guangzhou to Shenzhen, from Guangzhou to Haikou and from Guangzhou to Shantou will be built. These projects have been either under construction or are in the planning stages. The province is planning to lay a solid foundation for communications, transport, postal work and telecommunications in 3-5 years, in order to create favorable conditions for future economic construction.

CSO: 4006/23

## ECONOMIC MANAGEMENT

### OBJECTIVES, TASKS OF ECONOMIC RESPONSIBILITY SYSTEM DISCUSSED

Nanjing XINHUA RIBAO in Chinese 13 Jul 82 p 2

[Article by Chen Yi [3088 6146]: "Symposium on Economic Responsibility System Stressed Economic Benefits and the Correct Handling of the Three Relationships"]

[Text] How are we to learn from the basic experiences of Shou Gang as we perfect the economic responsibility system? Recently the provincial and Nanjing enterprise management association jointly convened a conference. Over 60 specialists and scholars and industrial management cadres who have had some contact with actual conditions in our province attended the conference. They presented many fine opinions. The general view was that in our province while further perfecting the economic responsibility system, it is necessary to stress upgrading economic benefits and the correct handling of the relationship of benefits among the state, collectives and individuals.

During the 4th quarter of last year the industry and communications battlefront in our province adopted the form of the profit-loss contract system while broadly promoting the economic responsibility system. In over 6 months they have achieved remarkable success in this undertaking. In the first 5 months of this year the economic benefits on the industry and communications battlefront in every region and municipality have improved in varying degrees and financial revenue has also increased. However, due to the fact that the economic responsibility system has not been practiced for very long and due to the lack of experience, certain problems have arisen. Our application of the economic responsibility system began on the basis of implementing enterprise profit retention and the profit-loss contract system in all trades and professions. This caused certain comrades mistakenly to believe that the economic responsibility system meant to distribute profits and award more bonuses. Consequently, they thought that the essential points of work were to figure out planned allocations and to calculate bonuses. They often failed to give sufficient attention to establishing a well organized and integrated system of responsibility in order to improve economic benefits. Certain enterprises lacked a correct understanding of how correctly to handle the three relationships of the state, collectives and individuals under the premise of ensuring increased national gains. Thus the base figures for retained profit or for the profit contract system

in enterprises and the production quotas for staff and workers were all set rather low. The phenomenon of haggling over every bonus occurred.

Everyone considered that it is necessary to clarify the following several problems in learning from the experiences of Shou Gang in perfecting the economic responsibility system.

(1) It is necessary to clarify the objective of the economic responsibility system which is to arouse initiative in every respect in order to improve economic benefits. With the application of the economic responsibility system, enterprise management must change from the exclusive production model to the production management model. They must change that outdated way of thinking in which they stressed production not management and output and output value instead of benefits. They must follow the example of Shou Gang and regard the financial affairs, sales and other management norms in enterprises along with production and technical norms as the principle terms of the economic responsibility system in carrying out examination and verification. In this way they must set up overall planning management in enterprises in order to obtain the best economic benefits.

(2) In clarifying the practice of the economic responsibility system it is necessary to regard state planning as primary and market regulation as subsidiary. Priority must be given to state interests in the economic activities of enterprises. At present they cannot focus solely on profit targets in production while overlooking the all-round fulfillment of other targets set up by the state such as variety, quality, output, consumption, state allocation quotas, etc.

(3) In clarifying the practice of the economic responsibility system it is necessary to handle correctly the three relationships. One is the relationship between enterprises and the state. In principle the growth rate of state revenue must be greater than the growth rate of profits among enterprises and employees. In distribution, it is necessary to change the low base figure for profit-loss contract systems and for production quotas in certain enterprises. It is also necessary to change the lack of strict examination and verification. When determining divisions into proportions and finding ways to calculate above quota bonuses, it is necessary to prevent the practice of certain enterprises of considering only their gains and employees while neglecting state profits. When the state is unable to acquire more profits it is necessary to avoid the practice of enterprises and employees of making profits while showing no consideration for the overall situation. The second relationship is the one between the individual and the collective (enterprises, teams and groups). In principle the part must follow the whole and the individual must follow the collective. In our province some enterprises have stipulated: "If the plant as a whole cannot overfulfill a production target, even if a workshop or an individual overfulfills a production quota, they should still not receive bonuses for surpassing the quota." This is correct. The third relationship is the one among departments and among individuals. In principle they must acknowledge differences among them and rationally space out the various levels. As for bonuses issued to individuals on the basis of

strict examination and verification, it is permitted to "put someone in the limelight" but not to "bestow highest honors on them" or to "affix a seal."

(4) In clarifying the practice of the economic responsibility system, enterprises must make sure that all their responsibilities to the state are met and set up a strict responsibility system. In this responsibility system the several major criteria involved in state examinations of enterprises are broken down and fulfilled in every shop, group, team and on an individual level to form a system of responsibility shaped like a pyramid. In this way every enterprise activity either directly or indirectly comes under state planning. This responsibility system should not only include the responsibilities of enterprises toward the state and of employees toward enterprises, it should also include the responsibilities among related units in their inner and external ties of cooperation. It should include product and quality norms as well as the major targets for overall quality control and overall economic accountability. It should include production targets and management targets. By using data on the various norms in the economic activities of enterprises to exercise control and supervision, the undertaking of improving economic benefits in enterprises will be even more successful.

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CSO: 4006/589

## ECONOMIC MANAGEMENT

### ENTERPRISE REORGANIZATION WORK STRESSED

Shijiazhuang HEBEI RIBAO in Chinese 16 Jul 82 p 1

[Article by Xun Yonghua [1327 3057 5478] and Kong Jindou [1313 4868 2435]: "Leading Comrades Urged To Inspire Enthusiasm and Focus on Enterprise Reorganization Work"]

[Text] The recently held provincial conference on reorganization work in enterprises called on leading comrades at all levels to inspire revolutionary enthusiasm, to transform their work style, to do practical work, to promptly and effectively to solve problems, to continue to focus on enterprise reorganization work and to strive to improve production in industry and communications throughout the province. This will all lead to a sizeable increase in economic benefits throughout the province.

The conference was attended by leading comrades from the provincial CPC committee and the provincial government such as Liu Bingyan [0491 4426 1750], Guo Zhi [6753 1807], Liu Ying [0491 5391] and Yue Zongtai [1471 1350 3141]. Comrade Liu Bingyan and Yue Zongtai gave talks at the conference.

The conference analyzed the state of enterprise reorganization work throughout the province. They believed that the state of enterprise reorganization work during the past 3 months clearly demonstrated the fine shape of enterprise reorganization and of the overall economic battlefield. The special features are: (1) The leadership has taken this work seriously. The principle leaders at all levels have assumed command. All party, government, industrial and league departments have made a concerted effort to concentrate on reorganization. From the provincial level to the county level, all party, political, industrial and league leaders have transformed their work style and stayed at selected enterprises to carry out investigations. At present in the entire province there are 2,676 people assigned to field investigation teams, making a total of 9,756 people. Among them, there are 118 leading comrades from the provincial CPC committee, the provincial government and committees, offices and bureaus under provincial control as well as local and municipal leaders. They have made investigations and studies in enterprises and helped them to resolve problems, promptly sum up experiences and quickly start on enterprise reorganization work. (2) They have earnestly reorganized leading groups in enterprises, relied on leading groups in enterprises successfully to reorganize enterprises and set up leading groups



during reorganization. They have set up leading groups while strictly adhering to the call for more revolutionary, younger, more knowledgeable and more specialized cadres. (3) Reorganization work has centered firmly on improving economic benefits and completely fulfilling the annual production, purchasing and selling quotas. (4) Many enterprises have carried out the necessary reorganization of labor discipline. There have been gratifying changes in the spirit of vast numbers of cadres and the masses, and in the orderly functioning of enterprises. (5) During reorganization they have perfected the economic responsibility system and raised the level of administration and management in enterprises.

In his talk Comrade Yue Zongtai pointed out that the key to doing good work in enterprises is to have good leading groups. To complete the job of reorganizing enterprises it is necessary to rely on leading groups in enterprises. Investigation teams in the field must concentrate on helping enterprise leaders successfully to carry out reorganization. With the start of reorganization, analyses of leading groups in enterprises must be carried out. All competent groups must rely on their leaders in carrying out reorganization work. All those who are incapable of leading must first reorganize their leading groups. In order to reorganize and successfully establishing leading groups in enterprises, it is necessary to do the following. First, during reorganization it is necessary to modify leading groups in enterprises that are overstaffed, overaged, have too many nonprofessionals and that have low educational and theoretical levels. Second, it is necessary to make appropriate arrangements for veteran cadres. First of all they must do good ideological work so that they understand that in order to implement the four modernizations it is essential to ensure that leading groups in enterprises become more revolutionary, younger, more knowledgeable and more specialized. They must willingly resign from leading groups and arrangements will then be made according to their individual circumstances. Third, it is necessary to promote outstanding middle-aged and young cadres as rapidly as possible. Fourth, in order to accelerate progress in readjusting leading groups, it is necessary to overcome the phenomenon of validation procedures for long-term travel. We can learn a lesson from the experiences of Langfang Prefecture and have local (municipal and provincial) CPC committees appoint responsible comrades to lead, and responsible cadres in authorized departments to participate. They can organize groups and study how to solve the problem of readjusting leading groups in reorganized enterprises. Fifth, once leading groups in enterprises have been readjusted, it is necessary to pay attention to maintaining relative stability and not making random changes. They will then be able to study the practical experiences of modernizing leading groups in enterprises and enable them to become experts and specialists.

Comrade Yue Zongtai said that the central task in reorganizing enterprises is to perfect the economic responsibility system. This year we must make perfecting the economic responsibility system our number one priority. We must make every effort to implement it. The economic responsibility system implemented by Shou Gang involves a reform of the current management system. Its most distinctive feature is that the enterprise must fully change from an exclusive production model to a production management model so that production

management reaps improved economic benefits. The basic experiences of Shou Gang are of widespread significance. Han Er, proceeding from the distinctive characteristics of the construction industry and the circumstances of this enterprise, implemented an above-quota piece rate wage system that had six criteria. In learning from the experiences of Shou Gang and Han Er, it is necessary to grasp the substance of their basic experiences and study their widespread significance. We must avoid neglecting the essentials to attend to trifles and the tendency to study in form only. We must proceed from practical reality and strive for substantial results. We cannot be mechanical copies nor can we have "arbitrary uniformity."

Comrade Yue Zongtai said that during reorganizing enterprises we must pay attention to the following several points: (1) All work in enterprises must be planned and arranged as a whole. All enterprise activities must be channeled into enterprise reorganization. (2) Reorganization must be integrated with readjusting and reforming enterprises. During reorganization it is necessary to implement plans for readjusting enterprises. Furthermore, closings, stoppages, mergers and retoolings as well as the revision and technical transformation of product structures, technology and facilities within enterprises must all be completed during reorganization. (3) Enterprise reorganizations must be arranged according to the specific conditions of each enterprise. We must not have "arbitrary uniformity" nor rely on one model. (4) During enterprise reorganization we must actively promote advanced management techniques such as diagnosis, evaluating project costs and cost control objectives so as to upgrade the level of management and economic benefits in enterprises.

Comrade Yue Zongtai went on to say that we must persist without work in enterprise reorganization and that we must strengthen leadership. First of all we must quickly improve and strengthen those with weak leadership strength and weak administrative bodies. Second, we must stress the essentials and lead the rest. The 72 large and medium-sized core enterprises belonging to the first group of enterprises to be reorganized are the key points. Party committees at all levels and the government must pay much attention to the reorganization work of these enterprises. Major leading comrades should personally pay special attention. Municipalities and departments in all areas should clarify the essentials of reorganization. Third, it is necessary to give full play to the role of investigation teams in the field. Personnel in investigation teams must be quick and capable. They must be led by leading comrades while specialized cadres who are acquainted with management and who understand production technology must also participate. They must frequently sum up their experiences in particular areas and guide overall reorganization. Fourth, we must do good work in overall reorganization. This year approximately two-thirds of enterprises in the entire province have still been unable to carry out systematic reorganization. These enterprises should concentrate their energy on production, construction and product purchases for this year as well as on work in market buying and selling.

In all his talk Comrade Liu Bingyan emphasized that the economic responsibility system is the central link in the five tasks involved in enterprise

reorganization. We must continue to increase understanding in this area. The economic responsibility system is a management system that comes under the guidance of state planning. Its goal is to improve economic benefits. It is a management system that combines carrying out duties, rights and interests. It includes two aspects: one is that it defines the economic responsibilities and interests of enterprises in regard to the state. It correctly deals with the distribution of benefits among the state and enterprises so that the benefits of enterprises and the quality of management become interwoven. It is a phenomenon similar to mastering the quality of enterprise management. The second is that implementing the economic responsibility system within enterprise defines the economic responsibilities and interests of each department, work section, staff and worker toward the enterprise. It correctly deals with the distribution of benefits among enterprises, staff and workers so that the individual benefits of staff and workers become interlinked with the positive results of management and with individual contributions. It solves the problems in enterprises of eating "in the canteen the same as everyone else." The experiences of Shou Gang and Han Er embody this spirit. In conclusion, we should approach the economic responsibility system from the high plane of improving the status of state finances and establishing a modern socialist power. In this way we can increase awareness of practicing the economic responsibility system. In reorganizing enterprises it is necessary to proceed in a planned and steady manner. We must not be precipitate or run helter-skelter. In enterprise reorganization each business must have its own model. They must further investigate the situation of each business and earnestly study how to proceed with enterprise reorganization.

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CSO: 4006/589

## ECONOMIC MANAGEMENT

### 'SICHUAN RIBAO' ON CHONGQING'S INDUSTRY

HK101357 Chengdu SICHUAN RIBAO in Chinese 29 Aug 82 pp 1, 3

[Report: "New Breakthrough in Chongqing Industrial Readjustment, Reorganization and Formation of Joint Undertakings"]

[Text] In Earnestly carrying out the central authorities' adjustment policy and in accordance with the spirit of the forum on joint undertakings and reorganization held in the province in May, the Chongqing Municipal CPC Committee and people's government have, after full discussions and ample study, taken effective measures to conduct readjustment and reform of the industrial management system of the city and districts and have made a major breakthrough in reorganization and formation of joint undertakings of the enterprises.

In accordance with the principle of economic rationality, 69 enterprise-companies and general plants have been established in Chongqing up to now. Twenty-nine among them are newly established. A total of 760 enterprises are under the direct leadership of said companies and general plants. A group of other enterprises subordinate to countries and far suburbs, are to be managed by the companies. In the process of establishing and forming companies and general plants, they have broken down barriers between different areas, different trades and different owners and have readjusted subordinative relations of nearly 400 enterprises. Among them, 383 enterprises originally subordinate to district leadership have now been transferred to be managed by the respective companies and general plants, 32 enterprises have been readjusted concerning subordinative relations involving different trades, and 42 enterprises have been readjusted to engage in other business. After the readjustment, reorganization and formation of joint undertakings, the organizational structure of the enterprises is becoming more and more rational, and it has created favorable conditions and laid down a good foundation for rapidly developing industry and further raising economic returns in industrial production in the future.

Be Resolute in Changing the Status of Separation of Areas, Multiple Leadership and Lack of Coordination

Being an old industrial base area, Chongqing city occupies an important position in the province's economy. In the past 30 years or so since liberation, the industrial management system has undergone several changes.

Before 1957, all the industrial enterprises were run by the municipal authorities, but not by district authorities. As a result of transferring power to a lower level in 1958, part of the industrial enterprises were managed by district authorities. During the period of readjustment in 1962, those industrial enterprises originally subordinate to the district were again managed by the municipal authorities and a group of enterprise-companies were established. During the "Cultural Revolution," the doctrine of "exercising power from the higher level to the lower level in each line of business" was criticized, and some of the industrial enterprises originally subordinate to the municipal authorities were again managed by the district authorities. Since the party's third plenary session in 1978, as a result of carrying out the readjustment policy, about 250 industrial enterprises have halted production and switched to another line and 126 joint economic entities have been formed, marking progress in the rationalization of organizational structure in industry. However, many defects have not yet been rectified, such as the contradiction between separation of departments and separation of areas in the industrial management system, multiple leadership, lack of coordination, "big yet comprehensive" and "small yet comprehensive," the formation of its own system in each trade, redundant organizations, repetitious development in enterprises and repetitious production. Meanwhile, due to the lack of a reasonable division between the municipal level and the district level and the fact that efforts are being made merely on industrial production, we have failed to pay much attention to work in such fields as the construction of political power in basic units, city management, culture, education, public health and the people's economic life, thus seriously hampering the raising of economic returns in industry and the playing of the roles of cities.

In view of such a state of affairs, the municipal CPC committee and the municipal government, in accordance with the readjustment policy of the central authorities and the arrangement made by the provincial authorities, have been determined to resolutely carry out readjustment and restructuring. Through profound investigations and research, they have derived experiences in readjustment and restructuring from fraternal provinces and have, in connection with the practical situation in Chongqing, drawn up tentative plans after repeated deliberations and discussions. The plans will be submitted to the Standing Committee of the municipal people's congress for discussion, and the relevant personnel of the municipal CPC will be invited to give their comments on the plans. On this basis, the municipal CPC committee and the municipal government have held meetings of industrial and communication enterprises in all districts and bureaus and have repeatedly stressed the importance and necessity of readjustment and restructuring. Also, they have made clear the principle and methods of readjustment. As a result, understanding is unified, confidence is strengthened and ideological obstacles are cleared away so as to guarantee the smooth progress of the readjustment, reorganization and formation of joint undertakings.

## Conduct Reorganization in Accordance With the Principle of Economic Rationality

1. In carrying out this work they have, in accordance with the principle of economic rationality, readjusted the division between the municipal level and the district level, between bureau and companies, and have gradually brought out the separation between the government organizations and enterprises. District authorities (under the municipal authorities) are organizations of political power, and they must bring into full play the roles of government organizations and perform their duties as stipulated in the "organizational law of the people's congress and people's government at various local levels of the PRC."

The main tasks of the district authorities are carrying out work in fields such as construction of political power in basic units, neighborhood service, city management, public security, culture, education, public health, retailing business, repair service and the people's economic life. Those bureaus in the industrial field are functional departments of the municipal government and are responsible for overall planning, coordination, service and supervision, but do not lead and manage enterprises directly. All companies and general plants are economic entities of enterprises and exercise overall leadership over all business operations of their subordinate enterprises and bear the economic responsibility of the country directly. The system of two-level audit is practiced in companies and enterprises to calculate profit and to seriously practice various economic responsibility systems.

2. Upgrade the level of all those industrial enterprises of public ownership and collective ownership that were previously subordinate to the district authorities in the seven districts of the near suburbs by having them managed by companies and general plants on the municipal level. Those enterprises run by nonindustrial departments which are subordinate to the district level, those collective enterprises run by the local people, those industrial enterprises run by the neighborhood committees and individual handicraft industries remain to be run and managed by the district authorities. The subordinative relations of those industrial enterprises in the four counties and those industrial enterprises that are subordinate to district authorities in the two districts of the far suburbs remain unchanged, but they must be formed into joint undertakings and enterprises of the same nature managed in a coordinated manner.

3. Those industrial enterprises subordinate to municipal authorities must be managed according to their respective trade and different products. In those enterprises which involve different trades and are managed by the higher authorities of both its own and other trades, the subordinative relations must be readjusted according to the classification catalogue of industrial departments and the catalogue of industrial products, as stipulated by the State Planning Commission and the State Statistics Bureau. In the event that more than one product is manufactured by an enterprise, it should be managed and run by one company or one general plant based on its principle

product. Those enterprises which should be switched to another line must be managed and run by the companies and general plants by which they will be managed after changing their line.

4. In accordance with the principle of professional coordination, enterprises and general plants should be established in accordance with different products, and those separated enterprises should be properly organized. Of the 69 companies and general plants already established, 48 were established according to their products and the principle of "big-scale, chain-like coordination," 70 percent of the total; 18 were established according to their trades, 25.7 percent of the total; 1 was established according to technology, 1.4 percent of the total; and the remaining 2 belong to service business, constituting 2.9 percent of the total.

#### Work Out Policies and Measures To Solve Concrete Problems

In order to guarantee the smooth progress of the readjustment, reorganization and formation of joint undertakings, the Chongqing municipal authorities, while stressing that partial interest should be subordinate to overall interest, have worked out 28 concrete policies and measures to properly solve the issue of economic interest of all parts and some practical problems. For example, after upgrading the level of those industrial enterprises which were previously subordinate to the district authorities, the district financial and revenue departments will collect less income. The loss should be subsidized by the municipal authorities on the basis of the average level in the 3 years before those enterprises were upgraded to municipal level. Accompanying the change of subordinative relations, the management fee paid by the enterprises of collective ownership and the funds of the cooperative enterprises should be directly submitted to the responsible companies and general plants. The spending of these funds should be concentrated on developing production and technical innovation of the enterprises of collective ownership. Those enterprises which have changed their subordinative relations must transfer all their property, as a rule. But the nature of ownership remains unchanged. The creditor's rights, the debt and the real estate ownership of the enterprises must be transferred with the subordinating relations.

CSO: 4006/23



## ECONOMIC MANAGEMENT

### 'GUIZHOU RIBAO' COMMENTARY ON SERIOUS ECONOMIC CRIME

HK291019 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 27 Sep 82

[Summary] "Today, GUIZHOU RIBAO frontpaged a commentary by its correspondent, stressing the need to continue the struggle against serious economic crimes in the economic sphere."

"The commentary says: Since the beginning of this year, some successes have been attained in the struggle against serious economic crimes in the economic sphere. At present, the No 1 or No 2 men in the party and government organizations of most localities and departments are paying personal attention to major cases, thus speeding up the process of investigating and handling the cases. However, there are also a small number of leading cadres who do not pay sufficient attention to the work. They assume nominal leadership without personally looking into the matter. Practice has proved that major cases invariably involve various internal problems in the state organs, enterprises and other establishments, giving rise to a lot of contradictions and difficulties. Therefore, if the leading personnel do not strongly resolve to pay personal attention to them, it will be impossible to handle them well."

By doing a good job of investigating and handling major cases, we can educate the masses, punish and educate criminals, inspire the enthusiasm of the people and intensify the struggle.

"According to the relevant departments, some cadres, and even some leading cadres, have relaxed their efforts in varying degrees. They hold that since the 12th party congress has been opened, it is necessary to go all out in economic construction. With respect to the cases that have been placed on file for investigation and prosecution, some cadres refuse to engage in arduous and meticulous work by planning to hastily wind up the cases with the result that the work has made little headway. With respect to cases that have not been placed on file for investigation and prosecution, some cadres plan to wind them up inconclusively."

"Due to various causes, the process of investigating and handling cases has been speeded up in the past couple of months, but there have been relatively few new economic cases that have come to light."



"In his report to the 12th party congress, Comrade Hu Yaobang said: In the new period of development of our socialist cause, we must attend, both in ideology and in action, to two aspects. On the one hand, we must persist in the policy of opening up to the outside as well as in our policies for invigorating the economy domestically and, on the other, we must resolutely strike at the grave activities in the economic, political and cultural spheres that endanger socialism. This very clearly shows that the struggle against criminal activities in the economic sphere is a long-term struggle that should be conducted well. It is extremely harmful to relax our efforts."

"In order to ensure the smooth progress of the socialist modernization drive, we should conscientiously study the important documents of the 12th party congress, penetratingly understand their gist and essence, be bold in applying them to reality, heighten our understanding, brace ourselves, sum up our experience and carry the struggle against grave criminal activities in the economic sphere through to the end."

CSO: 4006/12

## ECONOMIC MANAGEMENT

### GUANGDONG DISCUSSES ECONOMIC CRIME STRUGGLE

HK231310 Guangzhou Guangdong Provincial Service in Mandarin 2350 GMT  
22 Sep 82

[Text] The Standing Committee of the Guangdong Provincial CPC Committee held a meeting to inspect the progress of the investigation and handling of major and important cases in light of the spirit of the 12th CPC Congress and deliberate on new measures to further carry out in depth the struggle to deal blows at serious criminal activities in the economic field.

After the discipline inspection departments and political and legal departments concerned gave reports on the investigation and handling of major and important cases in the province in the previous period, the responsible comrades of the provincial CPC committee who had attended the 12th CPC Congress made an appropriate appraisal, in accordance with the requirements laid down in the documents of the 12th congress, of the initial results achieved by the province in handling major cases, brought existing problems to light and presented their views on how to carry out this struggle through to the end.

Ren Zhongyi, first secretary of the provincial CPC committee, said we must continue to pay close attention to the struggle to deal blows at serious criminal activities in the economic field and must not relax our efforts. And, in particular, we must attach great importance to solving a small number of diehard issues by first improving the understanding of leading people, and thus educate the vast number of cadres and the masses through real struggle.

In order to carry out inspection and exert supervision, the provincial CPC committee and government issued a circular, asking all prefectures and counties to prepare a special report to elaborate on the progress of the investigation and handling of cases in the previous period, existing problems and future plan, and directly submit it to the provincial leading organ. At the same time, the provincial CPC committee and government also decided to hold a special meeting to organize those people engaged in the investigation to study the spirit of the 12th CPC Congress and work out specific measures for the next stage.

CSO: 4006/13

## FINANCE AND BANKING

### PROBLEMS IN IMPLEMENTING POLICY OF PLANNED ECONOMY DISCUSSED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 14, 19 Jul 82 pp 4-5

[Article by Chang Xiumei [1603 4423 2734] and Li Fuchen [2621 4395 5256]: "Problems in Implementing the Policy of Upholding the Leading Position of Planned Economy Discussed"]

[Text] The People's Bank of China is one of the state's comprehensive economic departments. In our economic work, we must uphold the principle of the leading role of the planned economy and the supplementary role of market regulation. Now we would like to present our views on the way to implement this principle.

Since the Third Plenary Session of the 11th Party Central Committee, we have practised the policy of opening to the outside world and enlivening the economy at home, carried out the readjustment and restructuring of the national economy, gradually expand the decisionmaking power of the localities and enterprises, and paid attention to the development of the regulative role of the market. All these measures are entirely necessary and correct. However, some problems are inevitable as a result of our inexperience. There are now different views in the economic circles on whether we should rely on planning or on the market to regulate our national economy. Some comrades have over-stressed the spontaneous regulative role of the law of value and do not have an adequate grasp of the guiding roles of planned economy and administrative intervention in production and construction. Thus for a time, they tended to weaken or disregard planned economy. In real life, they lack the concept of coordinating all the activities of the country like pieces in a chess game. In industrial and agricultural production, they are generally unwilling to follow state plans for production and transfer while striving for output, output value and profits blindly. They fail to complete the plans for the production of goods in short supply while continuing to increase the output of goods already excessive supply, thus causing over-stocking, increased tie-up of funds and poor economic results. These new conditions and new problems are naturally reflected in banking as mainly shown by the rapid increase in loans and the excessive issuance of bank-notes. The increase of industrial loans throughout the country in 1980 was planned to be 4 billion yuan, but it actually turned out to be 8 billion yuan, doubling the planned figure. Commercial loans were to be increased by

20.3 billion yuan, or 2.7 times the planned figure. In 1981, the increase in industrial loans were planned to be 4 billion yuan, but it turned out to be 7.7 billion yuan, nearly doubling the planned figure. The planned increase in commercial loans was 7 billion yuan, and the actual increase was 21.6 yuan, more than trebling the planned figure. In the 3 years from 1979 to 1981, industrial and commercial loans from the banks were increased by 74.3 billion yuan, being 30 percent of the total increase in industrial and commercial loans since liberation, at an average rate of 12.6 percent every year. The average increase in currency issue each year was 29.5 percent, which was higher than the rate of industrial growth and the rate of increase in the volume of retail sales.

Practice has shown that under the system of public ownership of the means of production in our country, we must firmly adhere to the principle of the leading role of the planned economy and the supplementary role of market regulation. The order of planned economy and the role of market regulation cannot be reversed, and it would be even more wrong to abolish or weaken planned economy. This is one of the laws of socialist economic development as proved in practice. Of course, our stress on planned economy does not mean that we do not need the regulative role of the market. It only means that under the guidance of planned economy, we should attach importance to the regulative role of the market for the reason that state planning cannot possibly cover all aspects of the national economy. For example, the production and circulation of minor commodities should be regulated by the market within the scope of state planning, to which market regulation should serve as a supplement.

The People's Bank is an administrative organ in charge of banking and also an economic organization handling credit. It is the center of all national monetary activities as well as the tie joining together all aspects of the national economy. While commodities and money still exist under conditions of socialism, the production, distribution, exchange and consumption of products have all to be expressed in monetary terms. As the centers of credit, cash and the settlement of accounts in the country, the bank is closely related to all sectors of the national economy. Therefore, the bank's implementation of the principle of the leading role of planned economy and the supplementary role of market regulation is of very great significance to the development of the entire national economy. Then how should the bank implement this principle? Our views are as follows:

First, we must conscientiously carry out the state's credit plan. The bank's plans for credit transactions and for currency issue are important components of the national economic plan. These plans are worked out by the state in an overall arrangement, and the banks at all levels must strictly follow them. These plans must be completed and cannot be disrupted at will. To control the extension of various loans and to fulfill the credit plan, we believe that the system of controlling the credit plans should be further improved. First, the "balancing responsibility" should be constantly improved. The "balancing responsibility" should be coordinated with target control, and any shortage must be fully made up. To ensure the fulfillment of the balancing responsibility, all loans exceeding the planned

figures must have prior approval by the banks at a higher level after balancing and examination. Without this approval, the loans cannot be granted. Second, short- and medium-term equipment loans can play a positive role in promoting technical transformation, supporting production development and improving the conditions of work in enterprises. However, if these loans are increased too rapidly, we will have a noteworthy problem. In 1980 and 1981, short- and medium-term equipment loans were increased by 7-8 billion yuan. According to the projected figures during the Sixth Five-Year Plan, the accrued amount in 1985 will reach 30-40 billion yuan, and this may disrupt the state's plans for material distribution and extend the capital construction front. We propose that in extending short- and medium-term equipment loans hereafter, we must control not only the increased amount at the year end but also the accrued amount in that year. Furthermore, we should very meticulously examine the use of loans so as to be sure that they are used on projects requiring less investment and yielding quick and satisfactory results.

2. We must actively the state's plans for production and commodity circulation. State plans are mandatory plans under the state's overall arrangement. They include the acreage of planting in agriculture, the procurement and unified and assigned purchases of agricultural sideline products and their outward and inward transfers; the production, procurement and distribution of industrial products; the purchasing, marketing and stocking of goods and the total volumes of import and export in commerce. Success in the performances of production, procurement and distribution of these products has a direct bearing on the overall task of the national economy. Therefore, supports should be given in the form of loans for the completion of these plans. Support should also be given to the production of industrial and agricultural products planned by the localities and departments, such as the cash crops planned by the rural communes and production brigades after they have fulfilled the state plans, the crops from commune members' private plots, their household sideline products, and the commodities in short supply on the market (and these commodities are to be procured by the commercial departments outside their plans), provided such production does not call for competition with state-planned production for raw and semifinished materials and the products meet social needs.

For the production of goods under state restriction, we should grant the loans according to plans and the marketing contracts. Even the production of some products is included in the state plan, we should still be strict in granting any loan, if the production is excessive to the needs of the market. No loan will be granted if any enterprise over-produces of its own accord and the goods are unsaleable. Thus the banks at various levels should step up their investigations and study, work meticulously and keep abreast of the changing market conditions so that they can effectively control the grant of loans.

3. All specialized banks and banking organizations must uphold unified monetary principles and policies as well as the set profit rates. The receipts and payments of credit funds must be included in the state's overall

credit plan for working out an overall balance, and the multi-channel extension of loans must be controlled. In accordance with the spirit of the State Council's directives, all localities and departments should actively proceed with the reorganization of the existing trust companies. Except for the small number which have been approved by the State Council or by other departments authorized to act on behalf of the State Council, all these companies should be suspended and their business can be transferred to the banks for unified handling. The banks' own deposit and issuance of trust funds should also be handled in accordance with set policies and state regulations, so that the money can be used to the best advantage.

4. We must give full play to the role of interest as a lever and an important tool in the regulative role of the market. In the past 2 years, the state has twice raised the interest rates for savings deposits. This measure has produced fairly good results, since the large-scale increase in savings deposits in both urban and rural areas has given a strong support to socialist construction. Since the beginning of this year, the interest rates for deposits by and loans to enterprises and public agencies have again been increased. This will also play a positive role in promoting production and encouraging the practise of economy. The present problem is that there are not enough types of deposits and little grades of interest rates. In order to make better use of interest rates as a lever, we believe that along with the change in supply and demand in the spheres of production and funds, the types of deposits should be increased and great efforts should be made to pool the idle funds in society. In extending loans, we should adopt a system of floating and different interest rates whereby the banks can choose between the maximum and minimum interest rates set by the state and determine different rates for different enterprises according to the circumstances so as to help the deserving ones. For the trade and products in urgent need of development as required by the state, the loan interest rates should be low; for those trades and production of goods already in excessive supply, and when the state wants to restrict their development, the interest rates should be higher. This will help to promote the development of national economy according to plans.

9411

CSO: 4006/574

## FINANCE AND BANKING

### METHODS FOR CONTROLLING EXTRA-BUDGETARY FUNDS SUGGESTED

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] No 7, 15 Jul 82 pp 59-61

[Article by Sun Yun [1327 5686 4790]: "How To Control Extra-Budgetary Funds Well"]

[Text] I. Development of Extra-Budgetary Funds

During the financial reform in 1964, part of the budgetary funds were set aside as extra-budgetary funds so that the localities would have some standby financial resources and perform more functions by adapting measures to local conditions. This part of funds was then called extra-budgetary funds. In the regulations set up by the State Council in 1958 for improving the systems of industrial and commercial management, it was pointed out that the enterprises could retain part of the profits (about 10 percent of the total profits) and make their own arrangements for their use on designated projects. Thus the amount of extra-budgetary funds and the scope of their management were enlarged. Along with certain changes in the systems of financial control during the "Great Cultural Revolution," the amount and the scope of management were further enlarged so that by 1975, the amount of extra-budgetary funds handled by the localities nearly trebled that of 1965, including an increase of nearly 100 percent of the amount handled by the local administrative agencies. After the Third Plenary Session of the 11th Party Central Committee, the economic restructuring enabled the localities and the enterprises to acquire even greater financial power, and the amount of extra-budgetary funds and the scope of their management were further enlarged. These funds mainly take the following forms:

1. Extra-budgetary funds managed by local financial authorities: 1) Extra local income, such as industrial and commercial surtaxes, surtax on agriculture and animal husbandry, surtaxes on urban public undertakings, fishery tax and surtax on fishery equipment; 2) Enterprise income collected by local financial authorities, such as the retained profits of the "five-small" [small iron and steel, small coal, small chemical fertilizer, small cement and small machinery] enterprises, to be pooled as basic depreciation funds for local enterprises; 3) Income from production under the overall control of the financial departments, such as rents from public property, public buildings and public farmland, and the profits of collective enterprises and their departments in charge. (Part of the profits of collective enterprises

and public agencies in some large and medium-size cities is shared by the local financial departments or the bureaus or companies in charge; in some regions, such profits are under the unified control of the finance departments. In any case, they are not included in the budget.)

2. Extra-budgetary funds managed by the administrative agencies: road maintenance charges, charges for agriculture, animal husbandry and water conservation, miscellaneous school charges, revenues from productive labor in schools, charges for cultural, public health, and broadcasting undertakings, revenues from production in scientific experiments, charges for urban public utilities, income from production in social welfare projects, management charges for buildings and other real estates, income from "guest houses," charges for market administration, and other special government office funds.

3. Special funds controlled by publicly-owned enterprises and by the departments in charge of these enterprises, such as retained profits, major repair funds, funds for renovation and transformation, welfare funds for workers and staff members, enterprise funds, and so forth.

4. After-taxation profits of large collective enterprises above the levels of cities, municipalities, counties and districts.

## II. Existing Problems

The proportion of extra-budgetary funds to the budgetary funds was only 7 percent during the First Five-Year Plan and approximately 20 percent during the second and Third Five-Year Plan. In the past 2 years, they rose to 50 percent. Such a large amount of extra-budgetary funds is unprecedented. Because of the lack of experience, some problems have cropped up in the control of extra-budgetary funds. These problems are mainly shown as follows:

1. The blind use of funds. For example, some localities are giving no thought to the overall requirements of the national economy and are only concerned with the increase of their own local revenues. With their self-raised funds, they have blindly built a number of small factories to compete with the old and large plants for raw materials. Some enterprises have tried to increase their profits by blindly building new workshops instead of carrying out technical transformation and equipment renovation and adopting advanced technology to improve their economic results, thus causing overlapping construction and duplicated production. Some enterprises are not well-informed of the market conditions. As soon as they found any goods in short supply and knew that these goods were profitable, they would make all-out efforts to produce them, only to find them not longer wanted.

2. Chaotic management. The large number of departments, of both the central and the local governments, in charge of extra-budgetary funds has caused a great deal of confusion. At present, extra-budgetary funds are owned by different departments, different localities, different enterprises and different units, each with its own method of control and its own ideas of the use of funds. In the use of funds in various departments and localities, the departments at the higher levels have sometimes to approve the projects



submitted by various enterprises and then issue instructions to the localities or enterprises for them to be carried in different groups and at different times. Sometimes, certain projects have to be undertaken at the lower levels at any time by instruction of those higher up, and one at a time. Sometimes too, the local leading departments may allocate funds and assign projects to the enterprises. This not only creates difficulties in the overall balance of localities, but also enables some enterprises to request funds from different units and through different channels. Some enterprises may obtain duplicated grants of funds and can therefore afford to spend them lavishly, thus causing serious waste. Some enterprises may start capital construction projects in the guise of technical measures; while others may reactivate called-off capital construction projects with the funds earmarked for technical measures. In 1980, for example, the investments in the metallurgy and machinery trades in some municipalities were less than in 1979 according to the state budget. However, because of the use of extra-budgetary funds, the investments in these trades turned out to be even more than in the previous year--an increase of 49 percent--while other investments badly needed for urban public utilities and municipal construction were reduced by 16.3 percent. The imbalance in the structure of municipal construction was intensified.

3. Loopholes caused by inadequate rules and regulations. Some comrades consider extra-budgetary funds as the property of their own department so that as long as they have the approval of the department leadership, they will be free to spend them regardless of financial laws and without financial supervision. Thus extra-budgetary funds were used in the indiscriminate payments of bonuses, entertaining guests or sending gifts, even though such expenses are forbidden by financial laws. Some units have also expanded the scope for the use of extra-budgetary funds under various pretexts and according to rules set by themselves. Such practice has been witnessed in public security, communications, culture, education, public health and scientific research departments. This was how budgetary funds became extra-budgetary funds, and how state finance was undermined. Some units have even used these funds to buy such articles as motor cars, cameras, enlargers, recorders, glazing machines and magnifying glasses, of which, institutional purchases have been restricted by the state.

### III. Methods to Strengthen Extra-Budgetary Funds Control

How should we view and deal with these problems in the use of extra-budgetary funds? Some comrades feel that since extra-budgetary funds originally belong to the finance departments, and the amount of these funds is so huge, the finance departments should have overall control over them especially in view of the present financial difficulties of the state. Others proposed that such overall control should be exercised by the banks.

We are of the opinion that it is entirely correct that the control over extra-budgetary funds should be strengthened. However, it would be incorrect to think of going back to where we were at the very thought of control. Historical experiences and actual conditions have shown that it is entirely necessary that extra-budgetary funds be used to arouse enthusiasm in various

quarters and to adapt measures to local conditions in developing economic construction. However, we cannot go back to the old ways of "closing up as soon as things get out of hand and enforcing centralization as soon as there is confusion so that centralization will be immediately followed by rigidity and closing-up will be immediately followed by the loss of everything."

Under the management according to state plans, we must be sure that the initiative and enthusiasm of the broad masses are aroused, and at the same time be able to carry out rational adjustments and utilization so as to combine the use of the state's budgetary as well as extra-budgetary funds under an overall arrangement. We must also be sure that centralized control brings no rigidity and that flexibility in various quarters creates no confusion. Under present conditions, with the rights of possession of these funds remain unchanged, the key to the solution of the problem lies in the setting up of sound rules and regulations in order to strengthen macro-economic guidance, and to direct and regulate the use of extra-budgetary funds. We must see to it that all extra-budgetary funds are used with due regard to the interests of the state, the localities, the departments and the units, for a more effective promotion of the national economic readjustment, and to ensure the planned and proportionate development of national economy.

First, we should work out a comprehensive financial plan and incorporate the extra-budgetary funds in the overall balance. The use of funds through various channels should be well coordinated under an overall arrangement. At present, as a tentative measure, the planning, finance and banking departments should jointly work out a comprehensive financial plan, with the State Planning Commission taking the lead. Each year, all localities, departments and units must submit in advance to the finance, banking and planning department at the same level their plans for the use of the extra-budgetary funds. The planning department will work out an overall balance and then pass it on to the upper levels for a balance to be worked out at each level so as to achieve an overall national economic balance. After the working out of the overall balance, the plans cannot be changed at will.

Second, we should strengthen the work of economic information. Since extra-budgetary funds are scattered over various enterprises, departments and units who are far apart from one another and whose vision is very limited, they can hardly be expected to be well informed on the entire national economic situation. Consequently, it is inevitable that they may act blindly in the use of extra-budgetary funds. Therefore, the departments exercising overall economic control at various levels must attach great importance to the collection and diffusion of economic information, in view of the constant increase of extra-budgetary funds. Since it is not enough to rely on meetings and documents as a means of guidance, we must set up a system of information and supply economic information throughout the country periodically or whenever necessary for reference by the relevant units and to show the direction in using extra-budgetary funds so as to ensure the use of funds according to state plans.

Third, we must set up sound rules and regulations to guide the use of extra-budgetary funds. At present, there is an imperative need for the relevant

departments to speedily set up various rules and regulations for the control of extra-budgetary funds in collaboration with the finance departments. For example, for the use of bonus funds and collective welfare funds among the enterprises, the labor departments should work out a unified set of rules in collaboration with the finance departments for the use of bonus funds or welfare funds in order that these funds may bring about the desired results.

Fourth, the extra-budgetary funds must be straightened out. We must go over these funds thoroughly so as to rule out their use under fictitious names or by illegal means, such as withholding state profits or tax evasions in various forms. Even for those projects for which the use of extra-budgetary funds is justifiable, the sources of funds and the standard procedures of their procurement should be clearly specified. At the same time, all future projects requiring the use of extra-budgetary funds should be approved by the departments in charge and the finance departments so as to be sure that these funds are used properly and to the best advantage.

All funds not requiring extra-budgetary control should be included in the budget. The extra-budgetary funds controlled by the local finance departments, such as industrial and commercial surtaxes, agricultural surtax, surtax for urban public utilities, surtax on fishery and surtax for fishery equipment and so forth, were all handled by the state in a unified way. They later became extra-budgetary funds in order that the localities could have more standby financial resources. Now that the "cooking in separate kitchens" system is in force after the financial restructuring, there should be no need for the local finance departments to classify their funds as budgetary and extra-budgetary again. On the other hand, a combination of these funds will be of greater help to the localities in their overall financial arrangements. Therefore, the extra-budgetary funds controlled by local finance departments can be included in the budget to be under a unified control.

Some public agencies adopting the system of extra-budgetary should, if at all possible, be run as enterprises. This will help further arouse their enthusiasm and prevent confusion in the use of funds.

Furthermore, in dealing with those units which are short of budgeted funds and in need of other sources of funds to carry out their normal functions, we must firmly adhere to the principle of "opening the front door, but closing the back door," in finding suitable solutions to their problems within the framework of the budget, or, as an alternative, provide them certain sources of funds in a proper way. This will prevent improper resorts to the use of extra-budgetary funds and help uphold financial and economic laws and disciplines.

Fifth, supervision and inspection should be strengthened according to financial and economic disciplines. The controllers and those in charge of credit in the finance, tax and banking departments should be charged with the responsibility of supervising and inspecting the enforcement of financial and economic disciplines while carrying out their collection and credit duties. Those units or individuals found violating these disciplines should

be reported to the discipline inspection departments of the party committees at various levels even up to the discipline inspection departments in the central government. We must correct the mistaken ideas that extra-budgetary funds belong to the departments, enterprises and units, and that their leaders are free to use them in any way they see fit. All cadres must be convinced that all funds of socialist enterprises and units are the wealth of the socialist state, and that all units or individuals must follow the policies and systems set up by the state in order to control these funds well.

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## FINANCE AND BANKING

### FINANCIAL MEETING CONFIDENT GOALS CAN BE MET

HK171426 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 16 Sep 82

[Summary] Representatives who attended the Hubei provincial meeting of representatives from financial and tax systems happily talked about the great economic goal put forth by the 12th party congress. They are confident in achieving the goal of quadrupling the yearly total value of industrial and agricultural output by the end of this century.

(He Pulin), director of the provincial finance bureau, said: "Since the 3d Plenary Session of the 11th CPC Central Committee, the yearly total value of industrial and agricultural output in our province has increased by an average of 10 percent. Apart from factors, such as commodity price subsidies, being taken into consideration, revenue has also increased correspondingly. According to the economic development goal put forth by the 12th party congress, the rate of yearly increase is 7 percent. Judging from the situation in the past few years, we can completely maintain this level. Particularly after the readjustment over the past few years, our province's economic structure has gradually become rational and we have a better industrial foundation. We also have increasingly good natural advantages for electricity production. Therefore, so long as all quarters make efforts, our province can fulfill by stages or ahead of schedule the goal of quadrupling the yearly total value of industrial and agricultural output which was put forth by Comrade Hu Yaobang in his report at the 12th party congress."

(Yan Banghua), director of the Xiangfan Municipal Finance Bureau, said: "Since 1978, the total value of industrial and agricultural output has increased by 13 percent per year. Although the future base will be bigger and bigger and the rate of increase will correspondingly lower, our investigation reveals that the whole municipality can definitely maintain an increase of 8-10 percent in the future. This shows that the great goal put forth by the 12th party congress was formulated after careful investigation and reflects the law of our economic work."

(Wu Meihuan), director of the Nanzhang County Finance Bureau, said: "Nanzhang County originally was a poor mountainous county. However, over the past 3 years since the 3d Plenary Session of the 11th CPC Central Committee, the

total value of industrial and agricultural output has increased by 100 percent. The value of diversification output has increased by 20 percent per year. As we now have the correct leadership of the newly elected CPC Central Committee, we have a reliable guarantee for maintaining the original rate of increase. So long as we carry out our work step by step, we can completely fulfill the great goal by stages or ahead of schedule."

CSO: 4006/13

## FINANCE AND BANKING

### BRIEFS

SEMIANNUAL REVENUE PLAN--In our province the state of our semiannual revenue for this year is excellent. By June our accumulated revenue had increased 6.23 percent over last year during the same period. We have already fulfilled 51.35 percent of the annual revenue plan. We have "fulfilled more than half the tasks in more than half the time." In 23 districts and municipalities throughout the province there were 17 more than last year during the same period that had an increase in revenue. Those that had an increase in revenue of over 10 percent were Foshan Prefecture, Hainan administrative district, the autonomous prefecture, Shenzhen, Zhuhai, Jiangmen, Shantou, Zhaoqing, Zhanjiang and other municipalities. Some had a sizeable increase in the amount of revenue. Guangzhou Municipality showed an increase in revenue of over 80 million yuan and Foshan Prefecture showed an increase in revenue of over 30 million yuan. The reason for the good semiannual revenue is primarily due to the fact that there was a sizeable increase in tax revenues in industry and communications throughout the province. The amount of semiannual enterprise profits which were confiscated decreased. Enterprise revenues fell. There were both objective factors involved and other problems such as poor enterprise management, inadequate economic benefits and the irrational distribution of profits. Concerned departments in the province considered that although semiannual revenues were in good shape, nevertheless, they have only met the demands of the annual plan. Thus there must be no letting up. Currently the extent of the increase in financial expenditures is greater than the extent of the increase in financial revenues. Financial assets are fairly tight so it is necessary to pay attention to balancing revenue and expenditure. [Text] [Article by Cai Ji [5591 7162]] [Guangzhou NANFANG RIBAO in Chinese 13 Jul 81 p 1] 9864

NEI MONGGOL REVENUES--Ulan Qab League in Nei Monggol increased financial revenue for January-August 21.3 percent over that in the same 1981 period. During that period, the league withdrew 11.32 million yuan of currency from circulation. The balance of savings deposits in both rural and urban areas increased 32.9 and 37.1 percent, respectively. The improvements in the league's financial situation can be attributed to developed industrial and agricultural production. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 26 Sep 82 SK]

TIANJIN REVENUE, EXPENDITURE--The Tianjin Municipal People's Government recently held a mobilization rally on fulfilling the task of 1982's financial revenue and expenditure. At the rally deputy mayor Wu Zhen urged all departments, enterprises and units to make a concerted effort to fulfill or overfulfill the annual financial task assigned by the state. In the January-August period of this year, the municipality did a relatively good job in financial revenue and expenditure. The municipal government urged all leaders to attend to the following tasks: 1) do well in production and strive to raise economic results while implementing a profit plan; 2) do well in commodity management and sales; 3) enhance enterprise consolidation and financial management; 4) do well in management of tax and profit collection; 5) strictly control spending; 6) strengthen the measures for capital construction and technical innovation to raise capital efficiency; and 7) set strict demands on financial and economic disciplines. [Tianjin City Service in Mandarin 0030 GMT 9 Sep 82 SK]

NEI MONGGOL REVENUE ACHIEVEMENTS--Nei Monggol Autonomous Region sponsored a financial work conference in Chifeng Municipality from 2 to 10 September to sum up experiences gained in this work over the past 3 years, to work out future tasks and to commend advanced units and individuals emerging in this work. The conference noted that, over the past 3 years, the region had successfully maintained a favorable balance between expenditures and incomes and had a little surplus. The conference also disclosed that, in the January-August period this year, the region fulfilled its annual financial revenue plan by 71 percent, a 46.9-percent increase over the figure of the corresponding 1981 period; and its annual expenditure plan by 52 percent, 26.8 percent below the figure of the corresponding 1981 period. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 29 Sep 82 SK]

CSO: 4006/12



## ENERGY

### BRIEFS

HAINAN HYDROELECTRIC POWER STATION--Guangzhou, June 14 (XINHUA)--Hainan Island recently put into operation an 80,000-kilowatt hydroelectric power station, which accounts for 55 percent of the island's existing generating capacity, according to Guangdong province energy officials. The new power station, known as Niululing Hydropower Station, is the largest on the island. It is located on the middle reaches of the Wanquan River which flows from the Wuzhi (Five Finger) Mountains to Hainan's east coast. The station's 90-meter-high concrete dam will also help control the waters of the river which often floods in the rainy season. Electricity from the Niululing Hydropower Station will help increase industrial and agricultural production on the island and also provide lighting for homes. [Text] [Beijing XINHUA in English 1234 GMT 14 Jun 82 OW]

HUNAN UNDERGROUND HYDROELECTRIC STATION--Hunan Province's largest underground hydroelectric station has been completed. The installed volume of this hydroelectric station is 2,520 kilowatts and there are 2 generating units of 630 kilowatts. The hydroelectric station is operated by automatic control. Every year, the hydroelectric station will supply some 2.6 million kwh of electricity to towns and rural areas at low prices. The hydroelectric station will also help irrigate the fields in 3 communes and 92 brigades. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 9 Aug 82 HK]

HUNAN SMALL HYDROELECTRIC STATIONS--From January to July this year, 35 small hydroelectric stations in Hunan, with an installed capacity of some 13,600 kw, were completed and put into operation. Up to that time, the whole province has had 9,219 small hydroelectric stations with an installed capacity of some 866,000 kw. Each of 34 counties in the province have an installed capacity of over 10,000 kw. You, Hengdong, Cili, Taoyuan, Qianyang and Pingjiang counties each have an installed capacity of over 20,000 kw. Over the past 4 years, the province has increased its installed capacity by 490,000 kw while the state has invested only 160 million yuan in this work. Thirty percent of the investment in each kilowatt has been made by the state and 70 percent of the investment has been made by the province itself, which has used the methods of raising funds and loans to obtain the investment. Total output of electricity of all small hydroelectric stations throughout the province from January to July this year amounted to some 1.23 billion kwh, 13.8 percent more than in the corresponding period of last year. [Changsha Hunan Provincial Service in Mandarin 2310 GMT 22 Aug 82 HK]

NATIONAL HYDROPOWER MEETING--The national academic discussion meeting on planning for small hydropower stations concluded on 7 August in Yanji Municipality, Jilin Province. Attending the meeting were hydropower departments in various provinces and municipalities, specialists and professors of various universities and colleges, engineers and technicians. Forty-four research papers were read at the meeting. Through discussion, the meeting's participants held that the power generating, supply and consumption of small hydropower stations should be based on a balanced distribution and small hydropower stations should be built in accord with practical needs. All localities should make overall planning arrangements for rivers in line with local agricultural divisions and power grid planning. [SK080824 Changchun Jilin Provincial Service in Mandarin 1100 GMT 7 Aug 82 SK]

CSO: 4013/155

## MINERAL RESOURCES

### BRIEFS

QINGHAI GOLD, SILVER PROCUREMENT--According to statistics made available by the Qinghai branch of China People's Bank, in the first 7 months of 1982 procurement of unpurified gold, silver, placer gold and silver coins increased markedly. Placer gold purchased during that period was five times more than that in the same 1981 period. The increase can be attributed to enhanced unified procurement and the expanded procurement network. [Xining Qinghai Provincial Service in Mandarin 1100 GMT 7 Sep 82 SK]

HEILONGJIANG COAL MINES--A comprehensive exploration has begun at (Shilinde) mining area in (Boli) coalfield, Heilongjiang Province. The verified reserves reach 1.5 billion tons and are of good quality. The construction of coal mines, housing and facilities for miners are underway, planning to be completed in 13 years. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 23 Sep 82 SK]

HEILONGJIANG GOLD MINING--The No 1 gold mining ship of a gold mine in Muling County, Heilongjiang Province, had mined 669 liang of gold as of August, overfulfilling the annual state-assigned gold mining plan by 28.2 percent. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 1 Sep 82 SK]

QINGHAI GEOLOGICAL WORK--Qinghai Province has scored tremendous achievements in geological survey work since the Third Plenary Session. In the past 3 years the province has completed a geological survey over 29,000 square kilometers, has discovered 38 mineral deposits and has verified the reserves of many existing mines. [Xining Qinghai Provincial Service in Mandarin 1100 GMT 7 Sep 82 SK]

SHANDONG RAW COAL OUTPUT--Collieries run by local people and collectives throughout Shandong Province prefulfilled their third quarter production plan by 12 days. As of 18 September, they produced over 2,234,500 tons of raw coal, a 34,500-odd ton increase over the quota fixed in the plan. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 23 Sep 82 SK]

CSO: 4006/12

## INDUSTRY

### ADVANCEMENT OF SCIENCE, TECHNOLOGY EMPHASIZED IN GUANGDONG URGED

Guangzhou NANFANG RIBAO in Chinese 27 Jul 82 p 1, 3

[Article by staff: "Provincial Government Held Report Meeting Yesterday and Required Various Levels of Leadership to Pay Serious Attention to Science and Technology and Accelerate Technical Reform of Industry; Firmly Carry Out the Principle of 'One, Relying on the Policy and Two, Relying on Science; Firmly Place Science and Technology on the Agenda for An Important Discussion. This Is a Change in the Work of Strategic Nature"]

[Text] The Guangdong Provincial People's Government held a report meeting yesterday afternoon. It asked the various levels of party and political leadership in the province to lay stress on science and technology, while paying important attention to policies in order to accelerate the technical reform of industry.

Liu Tianfu [0491 3944 1133], secretary of the Provincial Party Committee and governor, presided over the report meeting. More than 1,000 persons, including Li Jianan [2621 1696 1344], Ye Xuanping [0673 6693 1627], and Yang Deyuan [2799 1795 0337], responsible comrades of the provincial committee and provincial government, and cadres above the department and office level from organizations directly under the provincial authority and related departments under the Guangzhou Municipality, were present at the meeting.

Provincial Party Committee Secretary and Vice Governor Wang Quanguo [3769 0356 0948] reported on the investigation of economic work. Prior to this meeting, Comrade Wang Quanguo had led a group of cadres from related departments and conducted more than a month of investigations in the five municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, and Jiangmen and the five counties of Nanhai, Shunde, Dongguan, Zhongshan, and Xinhui. They inspected the new equipment, new technologies, new techniques, and new products of more than 130 enterprises. He reported that as a whole, the situation of technical reform of industry in our province is good. However, the technical reform program in many places has been basically the piecemeal work of various departments and enterprises. This shows that the leadership of our entire province must further solve and take care of the problem of first, relying on policy and second, relying on science. This is a shift in the work of a strategic nature.

In analyzing our province's program of promoting technical reform of industry after complementing policies of opening the door to the outside and enlivening the domestic economy, Comrade Wang Quanguo stated that the economy in the last few years has been relatively enlivened not so much because the provincial committee and provincial government have concentrated their main efforts to taking hold of the policies, but because our province has carried out special policies and taken flexible measures. These special policies and measures were instrumental in effectively pushing forward technical reform of industry and the importation of new equipment and new technology. Judging from the situation in the five municipalities and five counties, industrial enterprises which imported advanced equipment and technology by the compensation trade method are mainly in the large and medium cities, such as Guangzhou, Foshan, and Jiangmen. Those that imported advanced equipment and technology through cooperative and joint ventures are primarily in the special economic areas. Those that imported advanced equipment and technology for the processing of incoming materials, for processing based on incoming samples, and for assembly of incoming parts are mostly county-, town-, and commune- and brigade-run enterprises. In addition, because of the relatively large development in foreign trade in recent years, some advanced equipment and technology have also been imported from abroad by using the part of the foreign exchange earned which the various areas have been allowed to keep. For instance, since the second half of last year, Jiangmen Municipality has used US\$499,000 in foreign exchange to import a batch of advanced equipment and scientific and technical materials. Also, many enterprises have also relied on their own technical forces to study and manufacture new equipment and innovate old techniques or develop new technology and embark on technical exchange movements through the use of joint and cooperative methods domestically. All these have resulted in a welcoming change in the technical appearance of the industries in our province, and a definite improvement has been achieved in our technical industrial standards. Within this overall situation, some basic changes have occurred in some trades. For instance, in the textile industry, processing after dyeing and finishing has long been backward. Because of the import and purchase of a batch of domestic and foreign advanced equipment and technology in recent years, some basic changes have occurred in this operation.

In the knitting industry, the equipment in the past was rather old and obsolete. In recent years, a batch of advanced equipment has been imported through various channels. As a result, "four changes" have emerged noticeably in the entire industry, from using a single raw material of pure cotton to production with many types of raw materials, from the production of underwear to the production of outer clothing, from primarily domestic sales to primarily export sales, and from the production of low- and middle-grade products to the production of middle- and high-grade products. Very major changes have also taken place in other industries, such as the electronics industry, packing and packaging and printing industries, plastics industry, furniture industry, etc. New changes have also begun to take place in some of the industries, such as the machine-building industry, chemical industry, construction materials industry, rubber industry, etc. Some industries have improved their economic benefits and their products have filled some gaps in our province, such as cardboard, battery, aluminum foil, synthetic

polyurethane leather, bulked acrylic fibre yarn, soft packaged drinks, etc., produced in Guangzhou.

Comrade Wang Quanguo further emphasized that, while new developments have taken place in the technical reforms of industries in our province in recent years, because of inadequate attention given by our leaders, some problems still exist which are worth our attention and await solution. Primarily, the phenomena still exist in varying degrees among various levels of party and political leadership of lack of adequate attention to science and technology, of not making enough efforts, and of lack of planning. Particularly in the last 2 years, some areas and units have put their hearts on trading and making money and have not taken a sufficient hold on production and technical reforms. On the other hand, some areas and enterprises pay attention only to the payment of debts in daily affairs, which of course is necessary, and not to debts owed to production and to technical reforms. In the utilization of foreign exchange, there are also areas where it is used more for circulation and less in production and still less in the import of advanced technology and equipment. This shows that many of our leading party and political organizations have not yet placed the taking hold of science and technology on their agenda for discussion of important events. In the relationship between capital construction and technical reform, basically a change has not been made of the past habit of relying primarily on extension for expanding reproduction. The ideology of large-scale socialist production through cooperation in specialization also has not been firmly established in some leading departments. Some areas and enterprises still pursue the "large and complete" and the "small and complete" goals. Because gaps exist in technological processes or the processes are not properly coordinated or because of poor coordination in the production of materials, some advanced equipment currently has not been able to demonstrate its effects very properly.

Finally, Comrade Wang Quanguo spoke of the problem of how to strengthen the leadership in scientific and technological work in the future. He said that since the Third Plenary Session, the various levels of party and political leadership have basically carried out the party's strategic shift of the focal point of work and have concentrated their primary energy on economic construction work. Looking at it now, after realizing the party's shift of work focal point, there are two important topics facing the various levels of party and political leadership. First, while paying important attention to policy, we should also pay serious attention to science and technology and truly and firmly carry out the guiding principle of "first, relying on policy and second, relying on science." Second, we should learn to take a firm hold on unified planning of all-round economic work and also take a firm hold on the integration of political ideology work and economic work. He said that our various levels of party and political leadership must have a deep understanding of the importance of science and technology ideologically and place this important subject of science and technology on the agenda for discussion of important events.

The most basic goal of four modernizations construction is to develop the productive forces of society. Our taking a hold on policy and on system reform is to create conditions for the liberation and development of productive

forces, advanced science and technology must still be used to equip industry, agriculture, transportation, and communications, and various economic departments.

For this reason, the various areas must strengthen their leadership in science and technological work and take hold of the technical reforms of old enterprises and the development of new equipment, new technology, new techniques, and new products, in a planned way so that the industrial production technology in our province will be improved to a new level within 3 to 5 years. The various areas and various related departments must go deeply into the grassroot units, strengthen investigative studies, and break through the habitual forces of "large and complete" and "small and complete," adopting a positive attitude, as well as taking actions according to their capabilities and seeking truth from facts. We must place the improvement of quality, reduction of consumption, acceleration of the upgrading and replacement of products, and improvement of economic returns in an important position. We must take hold of key products and formulate truly workable technical reform plans, so that the arrangement of industries, composition of products, composition of fuels and technological coordination will be rationally and gradually perfected through technical reforms. We must also change the old line of devoting our zeal to relying on new construction to develop production and determinedly carry out the principle of production development based primarily on intension. From now on, technical reform must be an important element in all levels of planning and funding, and materials must be assured to accomplish the technical reform plans. We must also carry out our policy on intellectuals a step further, correctly use them, solve their real difficulties in their work and in their livelihood, and fully develop the role of scientific and technical personnel. At the same time, we should strengthen the education of staff and workers and improve their scientific, cultural, and technical levels. In addition, we must continue to develop technical exchange, take a firm hold on technical information, realistically strengthen contacts and cooperation between enterprises and between the production departments and the scientific research and teaching departments and foreign economic and foreign trade departments, accelerate the reform of the machine-building industry, and proceed with the absorption and promotion of advanced technical equipment imported from abroad.

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CSO: 4013/143

## INDUSTRY

### CONGRESS DELEGATES REVEAL LIGHT INDUSTRY FIGURES

HK160202 Beijing CHINA DAILY in English 16 Sep 82 p 2

[Text] Shanghai's light industry has seen a remarkable increase in the last three years, due to the priority given to it by the state and the municipal government.

According to figures released by Shanghai's delegates to the 12th Party Congress, the gross output value of the municipality's light industry jumped to more than 36 billion yuan in 1981 from 1978's 26.87 billion, an increase of 34.6 per cent.

In comparison, the gross output value of its heavy industry increased by only 3.6 per cent, from 27.6 billion yuan in 1978 to 28.59 billion in 1981.

Shanghai's agriculture has also developed rapidly. In 1978, its total value was only about 2.12 billion yuan, but by 1981, it had increased to 2.84 billion.

The delegates also reported a remarkable increase in the number of goods purchased for export. In the past three years, these have nearly doubled--from 4.92 billion yuan in 1978 to 8.95 billion in 1981.

Retail sales have soared with the increase in production. In 1978, retail sales amounted to only 5.41 billion yuan, but in 1981, they rose to 7.88 billion.

Retail sales have increased as workers have made more money in the past three years. In 1978, Shanghai workers wages totalled 2.8 billion yuan. In 1981, they amounted to 3.96 billion yuan, an increase of more than 40 per cent. Greater earnings also resulted in more savings, which rose to 3.3 billion yuan in 1981 from 1.82 billion in 1978, an increase of 81 per cent.



# Shanghai's Growing Economy

<u>Item</u>	<u>1981</u>	<u>1982</u>	<u>Total</u> <u>increase</u>	<u>Percent</u> <u>increase</u>
	<u>(unit: billion yuan)</u>		<u>(in billion yuan)</u>	
Gross output				
Value of industry and agriculture	67.6	56.59	11.01	19.5
A. Industry	64.75	54.47	10.29	18.9
Heavy industry	28.59	27.6	0.99	3.6
Light industry	36.17	26.87	9.3	34.6
B. Agriculture	2.85	2.12	0.72	34
Industrial goods				
Purchases by commercial departments	15.64	13.08	2.56	19.6
Goods purchased for export	8.95	4.92	4.03	82
Municipality's income	29.24	24.55	4.69	19.1
Retail sales	7.88	5.41	2.47	45.7
Workers' aggregate wages	3.96	2.8	1.16	41.4
Residents' bank savings	3.29	1.82	1.47	81

(unit: yuan)

Per capita income	2,532	2,247	285	12.7
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CSO: 4020/1

## INDUSTRY

### SUPPLEMENTARY ROLE OF MARKET REGULATION DISCUSSED

Chengdu SICHUAN RIBAO in Chinese 27 Jun 82 p 2

[Article by Jiang Zhi [5592 2535]: "Distribution by Enterprises Cannot Be Lacking--A Discussion of the Supplementary Role Played by Market Regulation Under the Guidance of National Planning in the Machine Building Industry"]

[Text] During the readjustment, many enterprises in the machine building industry face the difficulty of a shortage of assignments. To take the situation in the Machine Building Bureau of Chengdu City as an example, there has been a decrease over the past several years in the planned assignments issued by the state. The proportion of the state plan actually completed to the total value of production was 79.6 percent in 1979. This decreased to 34 percent in 1980 and further decreased to 11.6 percent in 1981. The remainder was entirely whatever they themselves could find to put in the pot and contracting of market assignments. Under these conditions, many enterprises strengthened their management and actively developed work in market surveys and product sales. If they had not done so, they would not have been able to solve the problem of "not getting enough to eat."

However, during the period in which stress has primarily been on a planned economy, many enterprises have recently been slack to differing degrees about management. Some cadres hold that "market regulation is not important anymore, now that the emphasis is primarily on a planned economy." As a result, the idea has arisen of waiting for the higher authorities to implement planned allocation. Some even hold that "engaging in selling is a capitalist phenomenon and shouldn't develop." As the result, they have already withdrawn from management organs or are preparing to do so. This is extremely unbeneficial to the stable recovery of production which is now appearing in the machine building industry.

In fact, putting the primary stress on a planned economy does not mean that we shouldn't have market regulations. To again take the Machine Building Bureau in Chengdu as an example, the state plan accounted for only 15 percent of the total annual assignment for this year, with the greater part still relying on market regulations. In particular, there is a great lack of equilibrium among enterprises, and at present, enterprises with full assignments account for only one-third of the total. Thus, production assignments in a great number of enterprises are not full. In order to increase economic effectiveness and

assure increases in production this year, business management cannot be weakened but must be further strengthened. Business management is important work relating to business policymaking. The bases of policymaking is forecasting, and forecasts originate in information, while information depends on surveys. If one does not have correct forecasts and policy decisions, then it is not possible to implement scientific management. If we are to formulate plans and organize production on the basis of social needs, then we must conscientiously carry out market planning. Because state planning cannot make complete forecasts of needs and changes in all aspects of society, we use supplementary market regulation, applied under the guidance of state planning. This not only is extremely important at the time of economic regulation but also is indispensable later. For this reason, any weakening of business management methods is wrong. Rather, it is even more important at present than in the past to conscientiously summarize effective experiences and raise business management to a new level!

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CSO: 4006/548

## INDUSTRY

### EXPERIENCES OF SHOUDU IRON, STEEL COMPANY INTRODUCED

Chengdu SICHUAN RIBAO in Chinese 7 Jul 82 p 2

[Article by Xiang Jiagui [0686 0857 6311]: "Basic Experiences of Shoudu Iron and Steel Company in Improving the System of Economic Responsibility"]

[Text] Shoudu Iron and Steel Company's internal system of economic responsibility is carried out level by level in two different stages: First, the company's economic responsibility to the state including the handing over of profits to the state, the transfer of different products in different quantities to other departments, the conservation of energy and various other tasks as well as other requirements in production, technology and management, is passed on to its affiliated factories and mines and the functional offices as their economic responsibility. This economic responsibility consists of three parts: first, the responsibility for profits, for increasing profits and for fixed personnel; second, the guarantee for output, quality, varieties, contracts, consumption, production costs, circulating funds, safety, environmental protection, trial production of new varieties and scientific research; and third, the guarantee of cooperation, mainly given in the upper sequences to the lower sequences of operation and among the factories, mines, and offices in a series of vertical and horizontal links. Thus a system of economic responsibility is formed at the factory-mine-office level to combine responsibilities, rights and interests. In the second stage, the economic responsibility which the factories, mines and offices have taken over from the company, that is, the various tasks aiming at the improvement of economic results, is further divided up to be passed on to the workshops and sections, level by level, down to every worker and staff member. This economic system which affects every individual is not expressed all in monetary terms, since it mostly concerns quotas and the requirements of business operation, work and cooperation, although they all directly or indirectly reflect the comprehensive economic results. Thus an economic responsibility system combining responsibilities, rights and interests is formed by the workshops, sections, work teams and work shifts and for the job of every worker and staff member.

To give full play to the system of economic responsibility, this company has always adhered to the following six principles:

First, the improvement of economic results as the central task. It has very carefully set right the guiding thought in production and management. Instead

of being solely concerned with output and output value in the control of indices, it is now keen on the comprehensive improvement of economic results; instead of the self-serving of heavy industry, it is now serving agriculture, light industry, capital construction and national defense according to its service orientation; instead of mainly extensive expansion of reproduction, it is now mainly intensive expansion of reproduction; and instead of completely relying on state monopoly for the purchase and marketing of its products as its business policy, it is now firmly upholding the principle of taking state planning as the key factor and yet developing the regulative role of the market in order to revitalize the enterprise. After all, instead of purely producing, it is now managing its production. The company holds that in improving economic results, the enterprise should pay attention to not only economic results in the form of value (such as profits), but also to those in the form of material objects (such as output, quality, varieties, consumption, and so forth). Therefore, while carrying out the internal system of economic responsibility of the enterprise, this company has to first of all complete all the state plans and to ensure macroeconomic results; and in working out the "responsibility, guarantee and cooperation" plans, it still unswervingly treats state interests as a matter of prime importance. In addition to profits, its responsibility also covers the output, the quality and the varieties of products, the amounts of products to be transferred out according to state plans, the production of easily marketable products, the consumption of energy and the payment of bonuses within state-set limits, and the use of self-raised funds according to state requirements. The self-management of the enterprise must strictly follow the guidance of macroeconomics.

Second, upholding the principle of "three considerations" for the state, the enterprise and the individuals. All workers and staff members of Shoudu Iron and Steel Company are aware that without the state's interests, there will be no basic interests for the collective and the individuals. They have to first complete the tasks given by the state on schedule and according to the required quality and quantity before carrying out the enterprise's self-management, the purpose of which is to make greater contributions to the state. All the products produced under self-management must be intended for state and social needs, and there must be no such thing as "more profit, more work; less profit, less work; and no profit, no work." Furthermore, the decisionmaking power of the enterprise must not be abused in crooked ways and in violation of law. In the distribution of benefits, the relationships among the three parties must be carefully handled so that the state's major portion could be assured. Last year, when they undertook the responsibility for profits, the company was laboring under the disability of reduced production. Yet these workers and staff members "signed a pledge" to the effect that if there were no profits to be handed over to the state, the enterprise would not retain a single cent and the workers and staff members would not have any bonus at all. Furthermore, they would have to make up any shortage with their own resources. The result in practice was that state revenues increased by 8.9 percent, the enterprise's retained profits increased by 7.9 percent, and the bonuses of workers and staff members increased by 2.38 percent, compared with those of the previous year. The margin of increase in the state's revenues exceeded those of increases in the enterprise's retained profits and in the bonuses of the workers and staff members.

Third, upholding advanced and rational targets and quotas. Whether the various targets and quotas stipulated in the system of economic responsibility are rational and advanced, and whether they can lead to greater contributions to the state is directly reflected in the crucial problem of correctly handling the relationships among the state, the enterprise and the workers and staff members. The targets must be of an advanced average level, so that the units and individuals must make efforts in gaining the benefits. In other words, people must "jump up to reach them" instead of stooping down to pick them up. Advanced targets can help increase efficiency; if set too low, so that the task can be easily accomplished and bonuses can be obtained without any effort, the system of economic responsibility will be meaningless. Some targets can even be above the advanced average level, provided they are necessary and arduous efforts have been made for their accomplishment. For example, when Shoudu Iron and Steel Company set its profit target for this year, the calculations were based on the highest average in the last 4 months of last year. The quotas were also based on rational advanced criteria.

Fourth, upholding strict appraisal. Strict appraisal is the guarantee for the implementation of the system of economic responsibility. If the method of appraisal is not strict enough, even the best methods and the most perfect system will be useless. "Good guyism" is the arch enemy of strict appraisal, because people with such an idea usually lower the standard of appraisal, and, as a result, egalitarianism will again rear its head. In conducting appraisal, this company always adheres to these two points: First, all aspects of the economic responsibility at each level have to be evaluated one by one, and the result of evaluation will serve as a yardstick for determining right or wrong, merits or shortcomings, and the magnitude of contributions so that the principle "to each according to his work" can be implemented. It also upholds the principle of "letting figures speak for themselves" regardless of the objective causes, so that if the state gets no economic benefits, neither the enterprise nor the workers and staff members will have anything to gain. Secondly, in case of any violation of rules and regulations, it insists on "three 100 percents," namely, 100 percent implementation of the rules and regulations, 100 percent recording [in personal file] and reporting [to the high authorities] of all violations of rules and regulations, and 100 percent deduction of bonus for violation of rules and regulations, even though no damage has been caused by such violation. These principles apply to people at all levels, from the factory director down to the workers. Everyone is equal before the appraisal; there must be perfect impartiality regardless of personal feelings. Violations must be strictly dealt with even though the violators have always been good comrades. The company feels that strict appraisal itself is an effective way of upholding labor discipline; it encourages people to develop their subjective initiative, to overcome difficulties by every possible means, and to fulfill their economic responsibility to the state. It will encourage the advanced and spur on the backward and thus help everyone to improve.

Fifth, upholding the policy "to each according to his work." "To each according to his work" is an indispensable economic motive force in the system of economic responsibility. If benefits are not distributed according to the labor spent, and if there is no distinction between awards and punishments,

there will be dislocations among economic responsibility, economic results and economic benefits, and the system of economic responsibility will become nonexistent. To break through the old convention of egalitarianism or "eating from the same pot" in the distribution of bonuses, the company has firmly upheld three principles: First, the payment of bonuses must be strictly within the limits prescribed by the higher authorities. Secondly, different coefficients and bases are set for different factories and mines, departments, workshops and types of work according to the importance, the technical complexity and the labor intensity of each job and clearly showing the differences. Thus people can "look at the coefficients to find out the weight of the responsibility and at the number of points to find out the magnitude of a contribution." Provided individual bonuses are strictly scrutinized, people are permitted to do more than their own share without any restriction. This truly embodies the principle "to each according to his work." Thirdly, the bonuses of workers and staff members are linked up with the enterprise's economic results. By this means, the workers and staff members will be concerned with not only the fruits of individual labor, but also, more important still, with the general goal of the enterprise's production and management; and everyone will devote their efforts to the improvement of economic results.

Sixth, upholding the principle of ideology taking the lead and paying simultaneous attention to both spiritual and material civilization. Shoudu Iron and Steel Company closely combines ideological-political work with economic work and carries out ideological education in a forthright and convincing manner whenever any ideological problem is detected in any type of work and in any period. By basically enhancing the political consciousness of the broad masses of workers and staff members, it has ensured the healthy development of the system of economic responsibility with powerful ideological and political work. In fixing the targets in the responsibility system, the company always carries out education on the need to give first priority to the state's interests and upholds advanced and rational targets. In implementing the task of "responsibility, guarantee and cooperation," it would conduct education in the concept of overall interests in order to promote unity and cooperation. In paying bonuses, it would conduct education on the need to properly handle the relationships among the three parties and to take the attitude toward labor with the sense of being masters of the enterprise. In dealing with violations of rules and regulations, it also adheres to the principles of ideology taking the lead by enhancing people's political consciousness instead of resorting to over-simplified methods. Its ideological and political work is usually carried out for very specific purposes. Before the education, it would carefully investigate and ascertain people's mental state; then choose the line of argument; and finally conduct education by combining theory with practice. Everyone in the company, from the leaders to the broad masses, has a high level of political consciousness and is able to share the state's worry, to make greater contributions to the state, to aim high and scale the peak in defiance of difficulties. These qualities show the effectiveness and the great might of its ideological and political work.

## INDUSTRY

### GUANGDONG LIGHT TEXTILE INDUSTRIES' ECONOMIC RESULTS INCREASING

Guangzhou YANGCHENG WANBAO in Chinese 14 Jul 82 p 2

[Article by He Guiling [0149 6311 3781]: "Striving for High Speed in Improving Economic Results--as Shown by Guangdong's Experiences in Light and Textile Industries"]

[Text] Historical experiences have shown that it is wrong to strive for speed regardless of the result; but it is also wrong to stress result alone or to think that it would be better to reduce the speed as much as possible. The point is that we should strive for both good result and high speed, or a combination of result and speed. After a 9.8 percent increase in the total output value and a 27.3 percent increase in profits in 1980 over the previous year, the light and textile industries in our province (referring to textile and first light industry, but not second light industry, throughout this article) again showed a 15.39 percent increase in the total output value and 19.46 percent increase in profits, thus achieving, for the first time, both good results and high speed. The experiences in textile and light industries in our province have given us a good lesson in striving for both good results and high speed.

#### 1. Raising the Efficiency of Funds

Raising the efficiency of funds means the minimum consumption of labor for the production of more commodities needed in the society, the increase of profits and a combination of speedy economic growth and improved economic results. Last year, a total of approximately 200 million yuan was allocated by the state and the province through various channels including bank loans for capital construction in our light and textile industries. This was the largest allocation we had ever had. How to use this money to the best advantage? Our experiences were as follows: First, we had a correct orientation. The funds were mainly used in increasing the productive capacity for commodities which were in short supply on the market and for which raw and semifinished materials were abundant. These commodities were, for example, sugar, paper, cotton textiles, silicate and so forth. Secondly, we started our projects quickly. During that year, we had the fastest record in completing all new projects as well as the projects of tapping potential, renovation of equipment and technical transformation. Thirdly, we achieved good results. With intensive expansion of reproduction



as our main concern, the funds were spent mainly on technical transformation and tapping potential, and the time required for the recovery of funds was brief. Thus the money spent soon became new productive capacity and yielded its benefits. Last year, the productive capacity in the sugar-refinery trade was increased to such an extent that it was able to cope with its task in a year of bumper sugarcane harvest by handling more than 11,000 tons of sugarcanes daily. The daily sugar output was increased by 34.9 percent, and the profits were increased by 36.28 percent over the previous year. Based on the newly increased productive capacity in the other trades, the output value could be increased by 180 million yuan, and the profits could be increased by 22.19 million yuan, according to our calculation. From this, it can be seen that raising the efficiency of funds in one of the important methods of achieving high speed in the improvement of economic results.

## II. Readjustment of the Product Mix

In striving for a steady speed in economic growth, the product-mix must correspond more closely with social needs. Our experiences in the light and textile industries of the province were as follows: 1) In an effort to increase the products needed in the society, we have for several years developed the production of beer, cotton yarn, bicycles, sewing machines, and other articles for daily consumption. The increase of outputs has also brought an increase of profits. 2) The ratio of fine-quality goods was raised. Last year, the quality of commodities as a whole was steadily improved. According to an inspection conducted on 38 varieties of 26 different commodities, the quality of 77 percent of them were found to have been steadily increased. Furthermore, five of them--namely, the "555" battery cells, the black-and-white film, the "Zhujiang" tangerine powder, the lemon cookies and the "Golden Camel" brand jacquard blankets won national silver medals. All these commodities are now selling well. Besides meeting social needs, they also make more profits for the state. 3) We produced more new goods with new designs and varieties and made great efforts in upgrading our products. In accordance with state plans and on the basis of market forecast, we successfully trial produced more than 300 new products with more than 1,200 new varieties and nearly 10,000 new designs last year. Most of these products are now in mass production. Some products, such as "Nanhua" high-speed sewing machines, "Wuyang" and "Mingzhu" lady's wrist watch with calendar, nutritious food for children and high-grade cosmetics of many kinds, sun-dried fine-quality salt have been well received on the market since they were out on sale. According to incomplete statistics, last year, the output value was increased by 70 million yuan because of the readjustment of the product mix.

## III. Combining Domestic Trade with Foreign Trade and Using the Latter to Promote the Former

Another way to strive for high speed in the improvement of economic results is to correctly apply the special policies and flexible measures which the central government has worked out for our province by actively developing our economic activities abroad and adopting the policy of "combining domestic trade with foreign trade and using the latter to promote the former," so

as to make up our shortage of funds, technological know-how and raw materials for our light and textile industries. We have in the province a fairly large capacity for producing cigarettes, but not enough tobacco as the raw material at home. In accordance with the principle of bringing into play our strong points and steering away from our weaknesses, we made use of our foreign exchange, obtained from local sources, to import tobacco and thus solved the problem of raw material shortage last year. The total output value in the cigarette trade that year was increased by 37.02 percent and the profits were increased by 1.6 times over the previous year. From 1978 to the first half of 1981, the light and textile industry departments in the province earned more than 13.3 million dollars as labor costs in processing imported materials according to supplied samples and in assembling parts supplied by customers. With the foreign funds thus earned, we carried out the technical transformation of our enterprises, which not only increased our productive capacity but also improved our economic results. The Guangzhou Brewery, for example, imported and advanced techniques for fermentation and shortened the period of fermentation from 80 to 28 days. Thus even without any increase of equipment, its productive capacity was increased from 15,000 tons to 20,000 tons of beer each year, and the quality of its product was up to the world standard.

#### IV. Reform of the Organizational Structure of Industry

After the reform and the establishment of a rational organizational structure in industry, we were able to raise our labor productivity, and with little or no additional investment, we could raise our output, lower our production cost and gain fairly good economic results.

Reforming the organizational structure of industry means the transformation of those "small and all-inclusive" and "large and all-inclusive" enterprises, through the reorganization of industry and the integration of enterprises, into economically practical enterprises which could meet the requirements of specialization and cooperation and socialized mass production. In this connection, the municipal light industry departments were one step ahead of others and made outstanding achievements. In the past 2 years, under the leadership of the provincial and municipal governments and with the support of the relevant departments, Guangzhou Municipal has promoted the production of "highly competitive" consumer goods by transcending the boundaries of departments, trades and systems of ownership. The enterprises producing the "three major products" (namely, bicycles, sewing machines and wrist watches) were readjusted and reorganized, and an economically practical organizational structure of industry suitable for specialization and cooperation began to take shape. Now, the enterprises producing the "three major products" are capable of producing "1 million products" a year. The output of these enterprises was increased by more than 60 percent over 1979 or before the restructuring of industry. This was another important way for our light and textile industries to achieve high speed in the improvement of economic results.

## V. Adoption and Improvement of the Enterprises' Economic Responsibility System in Various Forms

The system of economic responsibility among the enterprises is an innovation representing a major change in the relations of production. This important reform is only in its initial stage, but it has already given the enterprises great political and economic vitality by enabling them to further liberate their productive forces.

Last year, more than 90 percent of the light and textile industrial enterprises have carried out separate experiments in assuming responsibility for profits and losses, retaining a portion of the base profits or a portion of the increased profits, sharing the total profits or above-quota profits, assuming responsibility for a certain amount of profits, sharing the savings from reduced losses and other forms of economic responsibility. On this basis, the enterprises have also adopted the internal system of economic responsibility in various forms, such as the "four fixes and four guarantees" and "job for every individual and responsibility for every job with responsibility and guarantee at every level" so that every person will have his own responsibility. The adoption and improvement of the system of economic responsibility for enterprises and their internal system of economic responsibility at every level has encouraged the enterprises and their personnel to strengthen their management, lower their consumption, improve the quality of their products, and try every possible way to complete the state plans and to improve their economic results. According to last year's statistics, all state plans for light and textile industrial products in the province were fulfilled or overfulfilled with the exception of one for a certain product which was nearly fulfilled. The consumption of materialized labor was universally reduced and the conservation of energy was particularly remarkable. According to incomplete statistics, coal consumption was down by 5 percent and oil consumption was down by 6.8 percent last year in the light and textile industries of the province. Savings in electricity, consumption of which was down by 5.4 percent, was more than enough to meet the requirements of the State Economic Commission. For every 10,000 yuan of output value, the consumption of standard coal was reduced by 7 percent; and for each percent of increase in the total output value, the rate of increase in electricity consumption was reduced from 1.5 percent in the previous year to 0.95 percent. This shows that even reduced materialized labor can produce more goods that meet social needs. There was also reduced consumption of living labor, since the system of economic responsibility has encouraged the broad masses of workers and staff members to do their best. Last year, the per-worker output value of state-owned enterprises under the first light industry department in the province was raised by 14.3 percent, while that of state-owned textile enterprises was increased by 5.46 percent over the previous year. This shows the possibility of producing more goods with less living labor to meet social needs.

9411

CSO: 4006/577

## INDUSTRY

### TIANJIN TO IMPROVE TELECOMMUNICATIONS SERVICE

OW281241 Beijing XINHUA in English 1221 GMT 28 Sep 82

[Text] Tianjin, 28 Sep (XINHUA)--An international and domestic direct dialing, long distance call and telegraph exchange center is nearing completion in Tianjin, China's third largest city and second largest foreign trade output, according to municipal authorities here.

This is one of 12 telecommunications projects undertaken by the city to improve its links with the outside world and remote cities in the country.

The project, covering a floor space of 19,000 square meters, is equipped with fully automated long distance calls and international telex exchanges. It will link Tianjin with Shanghai, Beijing and other provincial and regional capitals by automatic telephone service. In addition, it will undertake telegram, television, data and facsimile transmission services.

Telegraph service is scheduled to begin in the second half of next year. The whole project is expected to be completed in 1984.

In addition to this project, the city will build four new telephone exchanges, including one at the Tianjin new harbor, expand five telephone exchanges and build two cable lines.

City authorities say that the city now has only 34,200 telephones, falling far short of the needs of the fast developing industrial and agricultural production and foreign trade.

After completion of the projects, the number of telephones should reach between 74,000 and 94,000.

CSO: 4020/1

## INDUSTRY

### BRIEFS

JIANGXI INDUSTRIAL OUTPUT--In 1981, Jiangxi raised its industrial output value from 4.48 billion yuan in 1976 to 9.02 billion yuan. The average annual increase in the 3 years since 1978 was 8 percent, and the 5 year increase since 1976 was 100 percent. The province expects to double the 1981 figure in 1990 to 17 billion yuan. And it does not expect any difficulty in achieving another 100 percent increase in the ensuing decade. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 12 Sep 82 OW]

GUANGDONG LIGHT INDUSTRY--The total output value of Guangdong Province's second light industry system from 1978 to 1981 increased by an average of 13.1 percent per year. Last year, the total output value of the province's second light industry system was slightly lower than that of Shanghai but was the second highest in the whole country. The total output value of the province's second light industry system from January to July this year was 13.5 percent more than in the same period last year. [HK281211 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 24 Sep 82 HK]

TIANJIN INDUSTRIAL OUTPUT INCREASE--Since the third plenum, the industrial enterprises in Tianjin Municipality have scored a remarkable achievement in energy conservation. In 1979-1981, total industrial output value showed an average annual increase of 8.9 percent while energy consumption increased only 2.5 percent annually. During the period from 1979 to 1981, the industrial enterprises across the municipality saved 580,000 tons of standard coal, resulting from reforms in the industrial structure. [Tianjin City Service in Mandarin 0030 GMT 9 Sep 82 SK]

HEILONGJIANG CONSUMER GOODS--Presently, Heilongjiang Province has ample supplies of 10 kinds of durable consumer goods such as bicycles, sewing machines, wristwatches, washing machines and televisions. Compared with the corresponding 1981 period, the output of bicycles, sewing machines and wristwatches increased from 50 to 300 percent in the first 6 months of this year. The province's present annual output of washing machines is 740,000. [SK020223 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 30 Aug 82 SK]

HEILONGJIANG CEMENT PRODUCTION--Since the third plenary session, Heilongjiang has achieved an annual increase of 220,000 tons in cement production. By 1981, its annual output reached 2,798,000 tons, 670,000 tons, or 31.6 percent, more than in 1978. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 30 Aug 82 SK]

JIANGSU FLEXIBLE PACKAGING PRODUCTION--Nanjing, 24 Sep (XINHUA)--China's first flexible packaging material production line with an annual capacity of 3,000 tons has begun operation recently at the Wuxi Color Printing House, according to factory officials. It produces four kinds of plastic films and other composite flexible packaging materials for export goods to strengthen their competitiveness in the world market. Construction of the line started in August 1981 and was completed 6 months ahead of schedule. [Text] [Beijing XINHUA in English 0751 GMT 24 Sep 82 OW]

CSO: 4020/1

## CONSTRUCTION

### BRIEFS

GANSU URBAN CONSTRUCTION--Gansu Province has built some 4.3 million square meters of residential houses during the 1979-1981 period, providing houses for some 300,000 urban families. This equals the total area of housing built in the 10 years prior to 1978. The daily supply of tap water for urban residents of this province increased from 1.08 million tons in 1978 to 1.45 tons in 1981. During the past 3 years, this province has built and rebuilt 94 km of roads in the urban areas, built 27 bridges of all kinds, 93 km of drainage pipelines, 37 lavatories and some 200 garbage cans, planted some 2.5 million trees and added 90,000 square meters of parks. [SK081020 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 6 Sep 82 SK]

TIANJIN HOUSE ALLOTMENT--Tianjin Municipality has made marked progress in allotting houses among residents this year. The municipality built 3.72 million square meters of houses in 1981. As of the end of August, the municipality distributed 2.74 million square meters of houses among houseless residents, accounting for 89.3 percent of total built houses. As of now, 50,600 households have happily moved into new houses whose size reaches 2.53 million square meters. [Tianjin City Service in Mandarin 0030 GMT 21 Sep 82 SK]

XINJIANG URBAN CONSTRUCTION--Since the 3d Plenary Session of the 11th CPC Central Committee, 8 cities, including Urumqi, Yining, Kashi, Karamay, Shihezi, Kuytun, Hami and Korla, have invested some 660 million yuan in housing, which amounts to 56 percent of the total investment in housing in the 28 years before the last 3 years. The housing areas completed encompass 6.71 million square meters, which amount to over one-third of the total housing areas in those 28 years. The per capita housing area of urban staff and workers in Xinjiang region was only 3.6 square meters in 1979, but reached 4.38 square meters by the end of last year. Over the past 3 years, these cities have built water-supply tubes 164 km long; and water drainage channels, 100 km long; which are 56 percent and 91 percent respectively of the total length of water-supply tubes and water drainage channels laid in those 28 years. [HK101442 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 9 Sep 82 HK]

CSO: 4006/23

## DOMESTIC TRADE

### SYMPOSIUM ON THEORY OF PRICING HELD

Beijing JIAGE LILUN YU SHIJIAN [THEORY AND PRACTICE OF PRICING] in Chinese  
No 3, 20 May 82 pp 2-8

[Article: "China Prices Society Convenes Symposium on the Theory of Pricing"]

[Text] The first large-scale symposium on pricing theory since the founding of the People's Republic was held from 2 to 11 February at Kunming. The symposium was convened by the China Prices Society. The participants in the symposium included the society advisors Luo Gengmo [7482 5087 3351] and Zhang Yifei [1728 5065 7378], the president of the institute Liu Zhuofu [0491 0587 3940], the vice president of the society Hu Bangding [5170 6721 1353] and its directors. Also present were representatives of the concerned ministries and commissions of the State Council, of provincial, city and autonomous region pricing departments, of economic research organizations, of institutions of higher learning and of press and publication units. Altogether there were more than 160 people.

This symposium on pricing theory was convened after the State Council issued its "Circular on Firmly Stabilizing Market Commodity Prices" and after Comrade Chen Yun [7115 0061] presented his spring address on the planned economy. The comrades at the symposium uniformly agreed that stabilizing commodity prices is a long-term task and is now of even greater significance. Everyone agreed that the principal topics for discussion at this symposium should be how to study the law of price in motion in China, analyze the fluctuations of market prices and inquire into the problem of specific and general policies for stabilizing market prices from the standpoints of both macroeconomics and microeconomics. For these reasons, the discussions of these problems at the symposium were comparatively ample. Special studies were also made at the symposium of the position and function of pricing in the national economy, the objectives, methods and measures of price reform, the relationship of price reform and other economic reforms, the foundation of the socialist price formation, and the problem of theoretical prices.

The major arguments at the symposium were as follows.

#### 1. On the Problem of Stabilizing Commodity Prices

It was the uniform view of the comrades at the symposium that practice since the founding of the People's Republic demonstrates that the policy of stabilizing commodity prices is correct, and that it has had a positive effect on



ensuring socialist construction and on stabilizing the people's livelihood. There were different understandings of such problems as the meaning, quantitative limits and theoretical foundation of price stability.

#### (1) The meaning of price stability

It was the opinion of some persons that price stability refers primarily to the basic stability of market retail prices and has three implications: 1) stability of the general level of market commodity prices; 2) stability of the prices of basic daily consumer goods; and 3) stability of the people's standard of living.

It was the opinion of others that stability of commodity prices can be classified into absolute stability and relative stability. Absolute stability is the freezing of commodity prices and can only serve as a temporary measure. There are three interpretations of relative stability. First, it was held that the prices of individual products rise or fall and that rises of a light degree each year in the general level of commodity prices can be called relative stability and basic stability. The second was the view that relative stability can be considered to be the case in which, on comparison of changes in commodity prices and changes in wages, the increase in wages is more rapid than the rise in commodity prices. The third was the view that relative stability is the case in which the amplitude of the rise in the general level of commodity prices is less than the interest rate on deposits. There were also some comrades who, from the standpoint of econometrics, held that the meaning of stabilizing commodity prices should be that, in an economic system, the trends and range of changes in the price of a commodity corresponds to the trends and range of changes in its value.

#### (2) The quantitative limits of price stability

The first view was that the case in which the amplitude of increase in the annual retail commodity price index is within the range of 1, 2 or 3 percent can be considered to reach basic stability.

The second opinion, which is based on the circumstances of changes in labor productivity and on the historical experience of 30 years of fluctuations in commodity prices, was that the quantitative limit of commodity price stability is the case in which the amplitude of annual increase in commodity prices does not exceed 1 to 2 percent.

The third view was that the standard for the limit of price stability should be a level at which there is no decrease in the people's standard of living.

The fourth view was that we should not simply use a percentage as the mark of judgment but rather that the indication should be whether the degree of increase in commodity prices and changes in other economic indicators of the national economy are in proportion. For example, the quantitative limit of price stability should include whether or not the degree of increase in commodity prices corresponds to the rate of increase in wages.

### (3) The theoretical foundations of price stability

The view of the greater majority was that to maintain price stability is a long-term policy, that it is an essential requirement in the economy and government of a socialist system, and that its theoretical foundations are as follows.

1) The basic economic law of socialism requires basic commodity price stability since improvement in the people's standard of living cannot be guaranteed if commodity prices are not stable. 2) The law of planned and proportionate development of the national economy requires that there be a comparatively rational and stable price system because an imbalance in proportional relationships can be exacerbated if commodity prices are not stable. 3) Political stability and unity require that commodity price stability is economically ensured.

There was a minority view that to maintain price stability can only be a temporary policy measure. The reasons for this are as follows: 1) The basic economic law of socialism requires that the needs of the people be satisfied on the basis of expanding production and does not require commodity price stability. 2) Normal commodity price readjustments will not destroy proportional relationships in the national economy. 3) To maintain price stability is a measure that cannot but be adopted under specific conditions. Therefore, it can only be a temporary policy measure.

There were two differing opinions on the question of whether the policy of maintaining commodity price stability conforms to the law of price in its state of motions. One view was that prices always fluctuate around value and that price is a reflection of the magnitude of value of a commodity as an independent variable, i.e., it is essentially a dynamic system. Such being the case, the price of a commodity is based on its value. However, the value of a commodity is continually changing. Therefore, to maintain price stability is itself a formulation that lacks a theoretical foundation. There was another opinion to the effect that prices remain the monetary expressions of values of commodities and that the inherent factors affecting commodity price levels involve not merely the magnitude of value of a commodity but also the magnitude of value of the currency. Variation in the magnitude of value of a commodity and in the magnitude of value represented by currency can be in the same direction and it can also be in different directions. It can be of the same amplitude and it can also be of different amplitudes. Many permutations and combinations of different arrangements can appear. Among these different combinations, there will inevitably be combinations in which two independent variables will change in the same direction and with the same amplitude. At such times, the basic stability of the price level can be maintained. As Marx pointed out, if the values of certain commodities and the value of the currency rise at the same time and in the same proportions, then there will be no changes in the prices of these commodities. Therefore, as labor productivity changes, the method of adjusting the magnitude of value represented by the unit currency can be used to maintain the stability of the commodity price level. This is the theoretical basis of maintaining price stability. Thus, we can achieve commodity price stability simply by making comprehensive use of the law of value and the law of currency circulation.

#### (4) Major factors affecting commodity price stability at present

There were some who held that the major factors are that there has not yet been a turn-around in imbalances in the national economy, that economic effectiveness in the productive sector has not been high, that there have been budget deficits, that the volume of currency in circulation has exceeded the actual market need for it, and that there has been a comparatively great difference between commodity supply and the purchasing power of society with the result of raising commodity prices.

There were others who held that the major factors are that the economic interests of enterprises and workers and staff members have been directly linked to profit as reform of the economic management system has taken place, and that some enterprises have raised prices arbitrarily and covertly and in order to seek excessive bonuses. Some held that the raising price level has been generally caused by the chain reaction resulting from price readjustments. Prices go up first, which is immediately followed by an increase in money supply.

#### (5) Measures of stabilizing prices

Many measures for maintaining the basic stability of commodity prices were proposed during the discussion:

The first was that the most basic course would be to strive to expand production, improve economic effectiveness, increase labor productivity in industry and agriculture and lower the magnitude of value of unit products.

The second was to readjust the structure of the national economy and to stimulate a coordinate development of the national economy in order to bring about a basic balance between social purchasing power and the supply of commodities.

The third was to control increases in consumption funds suitably, to strengthen credit control on the part of banks and to be steadfast in the limited issuance of currency in order to prevent inflation and maintain a basic balance between revenues and expenditures.

The fourth was to uphold the principle of relying mainly on the planned economy and supplementing it with the regulation of market mechanism; to strengthen commodity price control; to enforce commodity price [control] discipline; and to persistently implement the policy of stabilizing commodity prices.

#### (6) Future trends in the development of the general level of commodity prices

One view was that there would be a tendency for the general level of commodity prices in China to rise gradually and to a slight extent in the foreseeable future. The reasons were as follows: From the standpoint of the trend of changes in the magnitude of value of commodities, there will be a continual increase in the quantities of industrial and agricultural products required by society as a result of population increase. However, production conditions associated with poor soil and inferior quality ore deposits will become more

and more difficult in the future and there will also be continually increasing labor expenditure on products. Even if there is improvement in production technology, this could be a factor that correspondingly cancels out to some extent increases in the amount of labor. However, under conditions in which there have been no very great breakthroughs in technology, there will certainly be an increase in the amount of socially necessary labor expended on unit products. Therefore, there will be a tendency for the general level of commodity prices to rise. On the other hand, increases in the prices of agricultural products and basic industrial products, the possibility of decrease in labor expenditures on unit products in the processing industries is greatly reduced. When this is combined with the facts that we have a large number of persons for whom employment must be arranged and that it will be very difficult to raise labor productivity in the economy in the near future, there will therefore be a tendency toward gradual increase in the general level of commodity prices for a fixed period.

There was also a contrary opinion to the effect that, from a long-term standpoint, a gradual increase in the general level of commodity prices is not an inevitable trend. The reasons for this are as follows.

1. While it is true that there is a trend toward an increase in labor expenditure on agricultural products and basic industrial products, there is also a trend toward a decrease in labor expenditure on processed products. Thus, the two factors compensate for each other resulting in the possibility that the amount of decrease could exceed the amount of increase. Otherwise, we could not begin to talk about social progress.

2. The increase in commodity prices induced by excess issuance of currency for financial reasons is a problem that occurs under unusual conditions. As the national economy undergoes readjustments and as the overall balance work is strengthened, the problem of excess issuance of currency will be resolved and will not become a permanent factor affecting an upward movement of commodity prices.

3. At present the level of labor productivity in certain industries is very low and is even declining. This is a transient abnormal phenomenon. For example the decrease in labor productivity in the mining industry is related to changes in mining conditions; to proportional imbalances in extraction; and to the fact that the opening up of new [mineral] resources has not been fast enough. If we conscientiously change these conditions, there should not and cannot be a decrease in labor productivity.

#### (7) The problem of commodity price readjustment

During the discussions on commodity price stability, many comrades also inquired into such problems as the concept of commodity price readjustment and its relationship to commodity price stability. The major [questions] were:

1. Is commodity price readjustment implied in a policy of maintaining commodity price stability?

One opinion was that commodity price stability means that there are no changes in the prices of commodities whereas commodity price readjustment indicates that the prices of various categories of commodities can shift upward or downwards. Therefore, commodity price stability and commodity price readjustment are two different things.

There was another view to the effect that the factors affecting the prices of commodities are continually changing, for which reason commodity prices are in a constant state of motion. Under conditions in which planned prices are being implemented, readjustments of commodity prices are implied in stabilizing commodity prices. A precise formulation of commodity price stability should unambiguously refer to the basic stability of retail prices. To maintain the basic stability of commodity prices as a policy should include two aspects, namely, "stabilization" and "regulation."

2. Is there any differentiation of primary and secondary between stabilization and readjustment of commodity prices?

There was one view to the effect that to maintain commodity price stability is the leading aspect, with readjustment being subordinate to stability and with stability being the prerequisite for readjustment.

There was another view to the effect that there is no so-called differentiation of primary and secondary between stabilization and readjustment of commodity prices with emphasis being shifted under different conditions so that sometimes the emphasis is on stabilization while at other times it is on readjustment. At the present, the emphasis is being placed on stabilization.

3. The relationship between stabilization and readjustment of commodity prices can be summarized as follows. 1) Commodity price readjustment proceeds under the prerequisite of stability and readjustment cannot destroy stability. 2) The objective of readjustment is to further consolidate the basic stability of commodity prices. 3) In order to maintain the basic stability of commodity prices, it is essential to carry out upwards and downwards readjustments.

2. The Problem Concerning the Prices of Agricultural Products

(1) Estimation of current agricultural procurement prices

The comrades at the symposium uniformly agreed that the significant policy decision of the party Central Committee and the State Council on raising the procurement prices of agricultural products by a comparatively wide margin is very correct. This has been a major step in effecting an overall readjustment of the national economy and has been one of the major causes of the rapid turn for the better in the conditions of the countryside. As the result of a series of continuing readjustments, there has been a great improvement in the state of low agricultural procurement prices so that the current procurement prices of agricultural products are in conformance to the state of China's national economic development. This basically makes it possible to accelerate the expansion of agricultural production and to increase the income of the peasants. Thus, it can be accepted by the broad masses of the peasants. In order

to maintain the basic stability of market commodity prices, to implement the four major policies proposed by Comrade Chen Yun for ensuring a lively but not disorderly as well as steady advance of the national economy, and to give consideration to both national construction and the people's livelihood, it is not advisable in the future period to make large readjustments in the procurement prices of agricultural products. Rather, they should be stabilized. By so doing, the policy of stabilizing the existing rural economy is advantageous for encouraging the peasants to be wealthy by increasing production to an ample level, and is essential for bringing about a basic turn for the better in financial as well as economic situation and for stabilizing commodity prices.

During the discussion, there were some opinions to the effect that to stabilize the procurement prices of agricultural products for a fixed period means that there should be a stable price level, but this should not exclude readjustments of a small number of products. In order to maintain a rational relationship of the price parities among agricultural products, the small number of irrational prices should be adjusted upwards or downwards.

(2) The problem of the "scissor-gap" difference in the exchange of industrial and agricultural products

The first opinion was that there has been more or less of a conformance between the prices of agricultural products and their values as a result of the large increase in the procurement prices of agricultural products since 1979, that there has been a comparatively great increase in the quantity of industrial products exchanged for agricultural products, and that the disparity between industrial and agricultural income has been reduced so that the "scissor-gap" phenomenon no longer exists. There are also some comrades who believe that a reverse "scissor-gap" phenomenon has appeared.

The second opinion was that in spite of the fact that the "scissor-gap" difference has been greatly narrowed since 1979, because of the original excess "scissor-gap" difference, the cost-profit ratio of agricultural profits is lower than that of industrial products. Thus, the "scissor-gap" difference still exists. Moreover it is not of a small degree. This view advocates continuing to increase the procurement prices of agricultural products in order to narrow the "scissor-gap" difference as quickly as possible.

The third opinion was that there is a connection as well as a distinction between the question of whether the "scissor-gap" phenomenon exists and whether or not the procurement prices of agricultural products should be stabilized for several years. In this view, there is an objective necessity for maintaining same form of "scissor-gap" difference at the present stage [of China's economic development], and the peasants must provide accumulations for the state through two forms, namely, [accepting low procurement] prices and paying taxes. In order to increase the commodity rate of agricultural products and to cause agricultural development to accord with the needs of the national economy, it will be necessary to continue to narrow and to create conditions for the gradual elimination of the "scissor-gap" difference. In view of the present conditions, although the "scissor-gap" phenomenon still exists, the procurement prices of agricultural products must be stabilized for a fixed period, for to narrow the

"scissor-gap" difference depends primarily on expanding production, decreasing costs and controlling population growth in the countryside. From a long-term standpoint, increasing the procurement prices of agricultural products is still a major measure for narrowing the "scissor-gap" difference.

(3) The problem of raising agricultural procurement prices beyond the regular quotas

1. The necessity for raising agricultural procurement prices beyond the regular quotas and its theoretical foundation. There was one opinion to the effect that to raise agricultural procurement prices beyond the regular quotas is a temporary measure for encouraging the peasants to sell more agricultural products to the state and that it has the character of being a reward. Because the base for the system of prescribed purchase of agricultural products by the state is determined on the basis of land productivity over several years in the past, it is not directly related to the quality of the soil or to the amount of investment and it is divorced from total cost in the economy. The excess funds expended on raising procurement prices beyond regular quotas in some regions at present are not the differential income. For this reason, there is no theoretical foundation for raising agricultural procurement prices beyond the regular quotas. Thus, this measure of raising procurement prices beyond the regular quotas does not conform to the need for expanding commodity production and it is not advisable to use it for a long period as a measure for readjusting prices. There was another view to the effect that to raise procurement prices beyond the regular quotas is essential and that there is a theoretical foundation for it. The reason for this is that continually investing on unit land to increase the volume of production may lead to progressive increases in costs and progressive decreases in profits during a fixed period in which there are no major changes in technical conditions, and that the system of raising procurement prices beyond the regular quotas serve to compensate for this.

2. Estimation of the effects of raising agricultural procurement prices beyond the regular quotas. One view was to the effect that to raise procurement prices beyond the regular quotas has many disadvantages and few advantages, being disadvantageous to readjusting the structure of agricultural production and to expanding agricultural production of adapting working conditions to local conditions, creating the irrational price parities among agricultural products that results in agricultural products of the same quality having different prices; not suitably raising the level of the procurement prices of agricultural products, making the financial burden heavier and affecting the stability of the commodity prices of industrial products and of the market as a whole; inducing contradictions among regions that affect the normal circulation of agricultural products in contiguous areas, create new uneven allocation of suffering and happiness, and dampen the enthusiasm for expanding production of commodities in advanced regions; and abetting the practice of fraud on the parts of some production teams and commune members as well as resulting in tedious formalities and confusion in procurement work. There was another opinion to the effect that since China has a large population, a relatively low standard of diet and must import some of its food grains from abroad each year, carrying out the system of raising procurement prices beyond the regular quotas can encourage the peasants to increase food production and can increase commodity rate of



products as a means of solving our food problems at home. This would be beneficial for the state, the collectives and the individual.

3. Reorganization and reform of raising agricultural procurement prices beyond the regular quotas. There was one opinion to the effect that the system of raising procurement prices beyond the regular quotas should be abolished as quickly as possible. There was another opinion to the effect that the question of the existence of the system of raising procurement prices beyond the regular quotas is primarily a procedural matter; that the system should not be abolished but should be reorganized and reformed; and that the degree of price increase can be suitably readjusted and the maximum quotas can be stipulated if guidance in planning is strengthened, if the base for the system of prescribed purchases by the state is not arbitrarily decreased and if the varieties of products subject to raising procurement prices beyond the regular quotas are not arbitrarily expanded.

### 3. The Problem of Price Subsidies

#### (1) The necessity for price subsidies and their theoretical foundation

The first view was to the effect that price subsidies financed by the state does not respond to the law of value. They make price deviate from value. They result in an irrational redistribution in residents' income. Furthermore, they are not beneficial to promoting improvement of administration and management by enterprises; to implementing the principal of "to each according to his work"; to resolving the present budget deficit; and to readjusting the national economy. In this view, it is stressed that whether they are irrational and whether they can or cannot be abolished are two different matters. We cannot consider them to be inherent things that must exist in a socialist society and that must be in effect over a long period of time. They should be resolved as quickly as possible in combination with readjustment and reform of wages.

There was a second view to the effect that price subsidies are important measures taken to stabilize commodity prices proceeding from the basic economic law of socialism. They are an embodiment of the superiority of the socialist system. As long as we have planned prices, we should have price subsidies. Price subsidies are in conformance with the law. They can only be controlled and not abolished.

There was a third view to the effect that price subsidies are a measure taken by the state to solve specific political and economic tasks; that they are an embodiment of the self-conscious utilization of the law of value; and that they are a compensation necessary to make for an exchange of unequal values in the exchange of commodities. Price subsidy has a dual character. On the one hand, this type of measure is beneficial for expanding production, maintaining the basic stability of market commodity prices, and stabilizing the people's livelihood within a certain period. On the other hand, it results in some prices not being able to actually and comprehensively reflect changes in value, weakens the [economic] lever effect of prices, deepens the irrational character of the price structure, affects parity relationships and makes the financial burden of the state heavier. For these reasons, it is necessary to make a comprehensive analysis of price subsidies. That is, we must see their due positive effects and their disadvantages as well. In summary, they are remedial



measures to be taken within a certain period and they are measures that must be taken but cannot be overdone.

During the discussion, there were some comrades who raised objections to the thesis that the better bumper harvests of agricultural products are reaped, the more subsidies are needed and the heavier financial burdens are shouldered. They held that there should be a major settling of accounts, that concrete analyses should be made and that simple inferences should not be made. First, after bumper harvests of agricultural products and particularly of grain, cotton, oil-bearing crops and sugar crops, imports can be decreased. Because the prices of these imported agricultural products are higher than the domestic procurement prices, the total price subsidy financed by the state can be decreased if domestic and foreign trade are combined and an integrated balancing of accounts is made. Second, after a bumper harvest of grain, cotton and oil-bearing crops, a great deal of procurement can increase financial subsidies. However, state revenue increased through processing of these agricultural products and expanding light and textile industries can exceed state financial subsidies.

## (2) The scope of price subsidies

Many comrades held that the scope of price subsidies should primarily be limited to the daily basic necessities of the people, and, that, of these, food grain subsidies should be retained for a considerably long period. In the future, the scope of subsidies should not be expanded rashly. However, subsidies having been in effect should not be eliminated rashly. When political and economic conditions permit, the scope of subsidies should gradually be decreased by such methods as readjusting the tax rate or selling prices and increasing the wages of workers and staff members. Those enterprises receiving subsidies due to poor management are required to improve by the prescribed time, after which subsidies should be terminated.

Several comrades proposed that a reorganization should be carried out because there are many problems in price subsidy work at present, with some instances in which subsidies were granted to those unqualified, or in which those qualified were not granted.

## (3) Modes of price subsidies

Many comrades pointed out that the modes of price subsidies should be improved and that such methods as assuming sole responsibility for losses quota subsidies and retention of savings should be adopted in order to arouse a positive attitude about reducing losses among enterprises.

Some comrades held that subsidies in our country at present are basically granted to management departments and consumers, and that consideration of granting subsidies to producers would be even more beneficial to promoting production.

#### 4. The Problem of Theoretical Prices

A special discussion on theoretical prices was organized at the symposium. Everyone agreed that the theoretical price calculation work being carried out is a form of basic construction relating to price work, and has a very great significance in raising the level of China's price work. An integrated system of theoretical prices can provide a theoretical foundation for a planned re-adjustment of the prices of various categories of products and for drawing up long-term price plans, and can also provide a scientific basis for evaluating the achievements of enterprise management, for comparing the effectiveness of investment in capital construction and for calculating the economic effectiveness of import and export trade.

There were three different opinions as to what theoretical prices are. The first opinion was that theoretical prices should include three levels: basic prices (prices based on calculation of the value of a commodity or a state of motion of its value), supply-and-demand prices (prices based on calculation of the law of supply and demand in adjusting market prices) and target prices (prices calculated according to the state's resources distribution policy on the basis of "basic prices" and with reference to "supply-and-demand prices"). The second view was that theoretical prices should only include basic prices and supply-and-demand prices. Target prices, which reflect a state policy, should not be considered theoretical prices. Furthermore, there is no way to calculate policy factors. The third view was that theoretical prices are basic prices and that there is no theoretical significance in considering supply and demand and various types of policy pricing.

To calculate theoretical prices, one must first resolve the problem of objective foundation in price formation. The prices of various categories of products are composed of two aspects, namely, total cost and total profit in the economy. In the past, total cost in the economy was taken as the major component of various categories of products. In principle, there was no difference of opinion on this point and there was very little discussion of it. At this symposium, new questions were posed about fixed costs from the standpoints of both theory and practice.

There were some who held the opinion that the greater part of the up to 50 billion yuan in price subsidies of various categories of products and rental subsidies financed by the state last year were direct or indirect subsidies to workers and staff members, and corresponded to the wages in the product costs. At present, the total sum of wages for the nation as a whole is 60 billion yuan. To ignore this component of price subsidies in the costs of products financed by the state clearly and seriously distorts wages involved in costs. Depreciation charges on fixed assets in the costs of products also tend to shift downwards. Many nations calculate depreciation charges on fixed assets on the basis of a 5- or 6-year period of use. However, in China, we calculate it on the basis of a 25-year period of use. This is clearly on the low side. In addition, it falls under the category of "M" in loan interest theory, whereas in actuality it is included in costs, which should be corrected.

The majority opinion was still to the effect that prices should be set in accordance with the branchwide average cost (as part of total cost in the economy) of each product. However, there were some who held that in order to promote rational distribution of resources, "opportunity costs" should be the costs to formulate prices. That is to say, costs should include not only expenses for manpower resources (wages) and expenses for material resources (expenditures for consumption of materials) but should also include expenses for financial resources (for example, expenses for occupancy of fixed assets and expenses for occupancy of working capital) and expenses for use of natural resources (for example, land, mineral resources and underground water).

The question of how to reckon profit in the process of price formulation was a major topic of the discussions. Everyone agreed that profits and tax revenues (referred to by the common term of profits) should be considered together when calculating theoretical prices, but he separated when formulating actual prices. Profit can be adjusted by the economic lever of tax revenues. If we only consider profits and neglect tax revenues when making our calculations, then the prices that we have calculated cannot comprehensively reflect the value of a commodity. For this reason, they will not have any theoretical significance.

There were new developments at this symposium on the problem of by what principles total profit in the economy should be distributed among the various sectors and of calculation of theoretical prices on this basis. Of the three long-standing positions (determination of amount of profits and prices according to the average wage-profit ratio in the economy, also called price formation directly based on value; determination of profits and prices according to the average cost-profit ratio in the economy; and determination of amount of profits and prices according to the average capital-profit ratio in the economy, also called price formation on the principle of production prices), concentration at the discussions was devoted to price formation directly on the basis of value and to price formation on the basis of production prices. There was no one at the symposium who advocated the position of determining profits and prices on the basis of the average cost-profit ratio in the economy. Those who advocated price formation on the basis of production prices also believed that it is necessary to convert the average capital-profit ratio in the economy to reflect the cost-profit ratio characteristic of particular products (the average capital-profit ratio in the economy  $\div$  frequency of capital turnover of a certain product = the cost-profit ratio of a certain product) when the prices of various particular products are being formulated in order to facilitate determining their amount of profits and prices.

In addition, various proposals for determining amount of profits and prices were made at the symposium. Some comrades proposed distributing the total profit in the economy according to fixed proportions on the basis of the average wage-profit ratio in the economy and the average capital-profit ratio in the economy respectively, as well as formulating prices on this basis (i.e., two-channel pricing). Assuming that the distribution ratios of total profit in the economy on the basis of these two are 30 percent and 70 percent, respectively, then the product price = costs + wages + average wage-profit ratio in the economy  $\times$  30 percent + amount of funds expended on unit products  $\times$  average capital-profit ratio in the economy  $\times$  70 percent. Here, there were three different opinions. The first opinion was that the living labor expended amounts

to about 40 percent of total cost in the economy and that the materialized labor transferred accounts for about 60 percent. However, the living labor expended accounts for about 30 percent and the materialized labor transferred accounts for about 70 percent of industrial production costs, so that total profit in the economy can be distributed in reference to this type of proportion. That is, distribution is carried out primarily on the basis of the average capital-profit ratio in the economy and supplementarily on the basis of the average wage-profit ratio in the economy. The second opinion was to the effect that distribution of total profit in the economy should be distributed primarily on the basis of the average wage-profit ratio in the economy and supplementarily on the basis of the average capital-profit ratio in the economy. The third opinion was to the effect that the proportions of accumulations and consumption in the national income should be used to determine the proportions of total profit in the economy distributed on the basis of the average capital-profit ratio in the economy and average wage-profit ratio in the economy.

The participants in the symposium also had differing opinions on the question of whether a unified average profit rate of the economy should be used in the three major sectors of the national economy--agriculture, light industry and heavy industry. The first opinion was to the effect that theoretical prices should be calculated separately according to different principles because the organic structure of capital differs between industry and agriculture. Because agricultural products belong basically in the category of handicraft industrial products, their theoretical prices should be calculated directly on the basis of their values. However, the theoretical prices of industrial products should be calculated on the basis of production prices. The second opinion was that, within industry, the theoretical prices of light and heavy industrial products should be determined on the basis of their respective average capital-profit ratios. The third opinion was to the effect that the composite theoretical price between agricultural and industrial products should be calculated in accordance with their values directly, and that the composite theoretical prices of industrial products alone should be calculated on the basis of their production prices. The fourth opinion was to the effect that the various aspects of the process of social reproduction and the various sectors of the national economy are integral and that in mutual exchange of commodities among agriculture, light industry and heavy industry the amount of profits and prices in various sectors should be determined on the basis of the average profit rate of the economy.

Mathematical models should be used and input-output tables should be drawn up in making systematic calculations of theoretical prices. There were two proposals involving whether or not material coefficients should be used in mathematical operations. According to the first proposal, it is possible to calculate the chain reaction of prices after total profit in the economy has been redistributed among various products and also to calculate the theoretical prices using input-output tables in the form of value calculated from current prices. According to the second proposal, the material consumption quota per unit product should constitute the operational foundation of the pricing model. By using the material quotas, it should be possible to calculate the amount of socially necessary labor expended on per unit product and to avoid the irrational influences of current prices. On the basis of the amount of

the amount of labor expenditure on products, labor is reevaluated by economic appraisal of society, i.e., theoretical prices obtained through the processes of examining and calculating the quality and quantity of labor by society are bound to be more scientific.

There were some who held that after theoretical prices have been calculated on the basis of these various proposals, proceeding from China's national conditions along with the direction of its overall economic reform in conformance with the selection of its future economic [development] model will determine which method of price formation should be selected after all.

Many comrades also proposed that the work of calculating theoretical prices and the work of studying price theory must be carried on at the same time and be closely coordinated.

During the period of the symposium, the China Prices Society convened a meeting of the board of directors. The secretary general of the society, Wang Zhenzhi [3769 2182 0037] gave a report on the general situation of the society for 1981. Following a discussion, the work of the society for 1982 was planned.

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CSO: 4006/541

## DOMESTIC TRADE

### YUNNAN TO INVESTIGATE PROVINCE'S PRICING WORK

HK280834 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 27 Sep 82

[Summary] The Yunnan Provincial Government has decided to extensively investigate pricing work throughout the province from now to the end of next February. The investigation will be conducted by about 10,000 people who are to be transferred from various fields of the province.

In a recent circular, it was pointed out that the inspection made on commodity prices not long ago achieved successful results in stabilizing price. But, some problems remain unsolved, such as prices being raised indiscriminately or disguised. Therefore, a general investigation of pricing work should be carried out regularly in the future--approximately twice a year--thus ensuring price stability in the province. To this end, people's governments at all levels and various departments should further enhance their understanding of the importance and necessity of this work. People's governments at all levels should designate one leading comrade to particularly carry out this work. An office for strengthening and inspecting pricing work should be set up, or perfected if already established.

At present, inspection should be made on retail prices and service charges of enterprises under public and collective ownership and those run by individuals. Emphasis should be placed on daily necessities of the people such as cereals, oils, foodstuffs, vegetables, aquatic products, fruits, cakes, drinks, medicines and major service trades. The inspection should be made around the impending three big festivals, namely, National Day, New Year's Day and the Spring Festival. The masses of people should be mobilized and organized on a large scale to take part in supervision and inspection work. People's governments at all levels should transfer a certain number of their workers and invite deputies to the people's congresses, members of the CPRCC and representatives of industrial, commercial and women's organizations to form inspection groups and to take part in discussing and handling major issues.

CSO: 4006/12

## DOMESTIC TRADE

### BRIEFS

GUANGDONG RURAL NETWORKS--Our province's urban and rural commercial networks and points have seen relatively great development over the past 3 years. According to incomplete statistics, our province now has more than 269,000 commercial, catering and service networks and points, an increase of more than 100 percent as compared with 1979. This development has enlivened the market, made things convenient for the masses and promoted the circulation of commodities. During the first half of this year, the whole province's turnover from retail trade in social commodities reached 9 billion yuan, an increase of 18.5 percent as compared with the same period last year. The increase in commercial networks and points has created employment opportunities. The province's commercial, catering and service trades have employed a total of 400,000 people over the past 3 years, accounting for 30 percent of the total number of people who have found employment through provincial arrangements over the past 3 years. [Text]  
[HK230822 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 22 Sep 82]

CSO: 4006/23

## FOREIGN TRADE

### NATION TO CONTINUE SEEKING FOREIGN INVESTMENT

HK240254 Beijing CHINA DAILY in English 24 Sep 82 p 2

[Article by Cai Jing: "China Will Continue To Seek Investment From Other Nations"]

[Text] Only over the past three years has China used foreign funds to help finance its modernization programme.

But as this foreign funding begins to show results, it will continue to be encouraged in future, according to a senior Chinese government official.

Wei Yuming, vice minister of foreign economic relations and trade, has said that despite some problems with inefficient management and inflexibility in using foreign funds at the initial stage--largely due to a lack of experience--China will continue to seek investment from abroad.

China has been careful in using foreign funds to promote a rapid return on investment--and this policy is beginning to produce positive results. The funds have been used in industry and agriculture, with agriculture, energy and transport getting top priority.

By May, China had signed loan and credit agreements with 10 countries. Foreign debt totalled \$17.3 billion, which included long-term, low-interest loans not only from governments, but also from international financial institutions like the World Bank and other foreign commercial and credit institutions.

China's main bilateral creditor is Japan, which has lent about \$2 billion, but among the others the World Bank has lent \$100 million, and Kuwait \$140 million.

The Chinese Government has further tapped foreign resources by reaching agreement on about 1,000 joint ventures. These involve foreign funds amounting to about \$3 billion.

For nearly 20 years up to 1979 China borrowed nothing from abroad. But with the open door policy being pursued for past three years, China has begun using foreign investment to make up for her own shortage of funds.



Although China has never before borrowed so much money in so short a time, old fears of debt no longer seem to exist.

One reason is that China's export income has increased rapidly in the past three years--from 22 billion yuan (\$11.28 billion) in 1979 to 36.7 billion (\$18.82 billion) in 1981.

#### Japanese Loans

China's annual loan payments are less than 10 per cent of its average export income, well under the 20 per cent figure which is considered a signal of overindebtedness, according to the vice-minister.

China restarted borrowing from Japan in 1979, when a Japanese Government delegation, interested in buying China's coal, offered loans to help improve transport in coal-producing areas. After negotiations China reached an agreement which allowed the government to accept the Japanese offer.

Japanese loans to China total \$2 billion spread over six projects. They have been used to finance railway and harbour projects in Hebei and Shandong provinces, where bottlenecks in transport had prevented coal from reaching markets outside China.

These projects are scheduled to be completed in 1985, after which China will be able to sell 10 million tons of coal to Japan each year.

Loans from abroad have also been used to sustain some large projects that had run out of funds.

The Ningguo Cement Factory in Anhui Province, for example, has been revived by a \$50 million loan from Kuwait.

The factory is one of 22 large projects which China agreed to maintain after the downfall of the "gang of four." But the construction was eventually halted because of a shortage of funds.

The factory is now expected to be completed in 1984, and will add 1.5 million tons a year to China's domestic supply of cement.

Kuwait is the only Third World country which provides China with loans. The loans, which feature preferential conditions and involve little restriction, total \$140 million and will help finance plywood production, airport construction and building chemical fertilizer plants.

Denmark and Belgium have provided China with interest free loans, and Italy has provided government grants, loans and credits.

In future, China will utilize as many foreign funds as possible for her construction, with the aim of strengthening self-reliance and promoting development of national economy.

## FOREIGN TRADE

### SOME THEORETICAL QUESTIONS IN FOREIGN TRADE STUDIED

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 3, Mar 82 pp 22-25

[Article by Wang Liewang [3769 0441 2598]: "How To Study the Theoretical Questions in Our Foreign Trade"]

[Excerpts] I. On the Question of Evaluating Ricardo's "Principle of Comparative Costs"

We have accumulated a great deal of experiences in the work of foreign trade since the founding of the People's Republic. We have carried on trade with socialist countries, capitalist countries and the Third World countries. Despite these experiences in practice, however, we have not systematically tried to discover some laws to be used as theories in our socialist foreign trade in order to serve the four modernizations.

Recently, two opposing schools of thought have appeared. One of them favors the use of "comparative costs" as our guidance in foreign trade, and the other rejects it on the ground that "ours is a Marxist foreign trade theory" and points out that Marx criticized this theory introduced by Ricardo.

The stand, viewpoint and methods of Marx should be our guiding principle, and there should be no question about it. However, he had no opportunity to witness foreign trade in any socialist country during his lifetime, and could not write any monograph on this subject. He discussed foreign trade only when he was dealing with the question of the profit rates for capitalists. He neither used the term comparative costs nor did anything to reject it. He said: "Since foreign trade partly cheapens the elements of constant capital, and partly the necessities of life for which the variable capital is exchanged, it tends to raise the rate of profit by increasing the rate of surplus-value and lowering the value of constant capital." He pointed out Ricardo's shortcoming in being concerned only with the cost of labor, but not the costs of capital or of the means of production. The mode of capitalist production is by accumulating and multiplying the capital, and the high profits obtained by the capitalists from the international division of labor are naturally used to expand the organic composition of capital and to raise labor productivity; the former will lower the profit rate, while the latter will increase the surplus value.

Somebody claims that Ricardo's principle of comparative costs was advanced in defense of the British bourgeoisie's policy of free trade at that time. In criticizing the policy of free trade, Marx said: "After all, what is free trade under the present social conditions? This is freedom for capital. The removal of all national obstacles that are still in the path of capital's advance will only give capital full freedom in its activities." These remarks cannot be misconstrued as a "rejection of the principle of comparative costs." These remarks concern a matter of policy, while the rejection involves the question of scientific analysis. It is true that the policy mentioned was a class policy. In the 19th Century, an opponent of free trade was the school of protective trade represented by List in Germany and Hamilton in the United States. In opposing free trade, Marx did not necessarily support protectionism, since its exponents were all defenders of capitalist exploitation.

Another reason for opposing the principle of comparative costs is that it defends the exchange of unequal values. Exchange of unequal values is an aspect of the exploitation of developing countries by the developed countries, and also an important aspect of the struggle to establish a new international economic order. However, exchange of unequal values was not caused by comparative costs; it is only the outcome of unequal relationship between the developed and the developing countries because of monopoly capitalism.

All that I have said so far is not in defense of Ricardo's principle of comparative costs, since his principle was based on a hypothesis not corresponding to realities. Therefore, it cannot be used to guide our foreign trade in an over-simplified way. Ricardo assumed that both England and Portugal produced cloth and wine and that Portugal's production costs were lower than England's. According to this assumption, Portugal's cost for producing wine was even lower than for producing cloth; and for England, the reverse was the case. Thus Portugal concentrated its efforts on producing wine and under a barter system, both countries would benefit. However, he did not include transportation in the production cost. Next, the relationship between unit cost and output is subject to changes, either a progressive increase or a progressive decrease. He assumed the unit cost as a constant. However, the production cost changes along with the change in production technology and cannot remain as a constant. His theory was based on a static, but not a dynamic, analysis. Furthermore, his assumption was based on a barter system, although trade was actually carried on through the medium of money, and calculated in terms of prices on the international market. Furthermore, there is the question of changes in the exchange rates between different countries' currencies. He computed the production costs according to the number of labor-days; this is practically impossible. Yet, in the final analysis, international values are compared in terms of labor-days. This is consistent with Marxist scientific analysis. Therefore, we can still say that the principle of comparative costs has its "reasonable core," although it cannot form the basis for actual foreign trade development. The actual conditions are far more complex, and other factors must be considered in explaining this question and in working out policies.

## II. Modern Theories on International Trade

There have been many theorists of international trade since the days of Ricardo, but the main idea still tends to preserve the principle of comparative costs as a system. For example, the theory, advanced by the Swedish economist Ohlin, that the composition of the elements of production determines the production cost is fairly typical. We have all heard of the terms labor intensity, and so forth; and understand anything, of which there is intensity, will be relatively inexpensive. In the composition of elements of production, we should include more that is inexpensive and less that is expensive, and the commodity thus produced will be relatively inexpensive and consequently more competitive on the market. In fact, Marx also clarifies this question in his "DAS KAPITAL" Volume 3. He said: "If wages and the price of land are low in one country, while interest on capital is high, because the capitalist mode of production has not been developed generally, whereas in another country wages and the price of land are nominally high, while interest on capital is low, then the capitalist employs more labor and land in the one country, and in the other relatively more capital. These factors enter into calculation as determining elements in so far as competition between these two capitalists is possible." ("Collected Works of Marx and Engels" Vol 25, pp 988-989)

The interchange of labor-intensive, capital-intensive and technology-intensive products will result in benefits for all parties concerned. This is a development of the principle of comparative costs. China has a population of a billion, but is short of capital and inadequate in technology. The development of labor-intensive products is based precisely on such a practical need, but not because there is such a theory. However, this action on our part can be explained by this theory. In importing new technology, we are of the opinion that the problem of employment should be considered and that the standard of automation cannot be too high. This, however, does not mean that we will remain stationary at the level of labor intensity. We should expand the export of our labor-intensive products, accumulate more funds, import new technology and new equipment and develop our production in the direction of technology intensity. Only thus can we accomplish the four modernizations.

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CSO: 4006/569

## FOREIGN TRADE

### XIAMEN'S FOREIGN TRADE STATISTICS REPORTED

Fuzhou FUJIAN REBAO in Chinese 25 Jun 82 p 1

[Article by Huang Shucha [7806 2579 2686] of Xiamen Municipal Foreign Trade Bureau: "Processing Imported Materials Is Highly Advantageous"]

[Text] Xiamen Municipality has actively promoted the processing of imported materials which is now playing a useful role in solving the problem of raw material shortage in some enterprises producing for export, in providing job opportunities, in increasing the source of goods and in earning more foreign exchange.

Before 1980, the raw and semifinished materials required by the units producing goods for export were distributed by the state under a unified arrangement. After the adoption of special policies and flexible measures, the authority to import goods was delegated to our province which in turn authorized Xiamen port to import some of the raw materials according to the actual requirements of Xiamen Municipality. Since 1980, the foreign trade departments and the various specialized companies in Xiamen have organized the importation of raw materials including frozen meat, soybean, flour, millet glue for making soft candies, sesame for making Chinese candies, cinnabar, used for making ready-made drugs, plastic wax, flower petals for manufacturing insecticide, rattans, nylon materials, glass-pearls, rubber, perillawood, scholar tree flowers, and so forth. According to preliminary statistics, more than 3,530,000 dollars in foreign currency were spent in importing these materials during the past 2 years, and the export of finished products made of these materials brought in more than 21 million dollars, also in foreign currency. In 1981, the output value of finished products processed from imported materials amounted to 60 percent of the total amount of procurement for foreign trade in Xiamen Municipality in the same year, and the foreign exchange earned from the export of these finished products amount to 12 percent of the total export value in Xiamen.

There are many advantages for the development of processing imported materials. First, it helps to stabilize and expand the production of our traditional products. In 1981, the municipality planned to sell 800,000 pairs of pearl slippers on the international market. It was very difficult to fulfill this plan, since the shortage of materials led to frequent work stoppages. Later, the municipal foreign trade departments managed to import a shipment of

velvet and glass-pearls, and the municipality was able to produce 1.5 million pairs of these slippers which brought in 1.28 million dollars in foreign exchange, nearly doubling the planned figure. Second, the rate of foreign contract fulfillment was raised. Since there were frequent conflicts between the foreign and the home markets, and the supply of raw materials for producing canned food, mosquito incense, Chinese candies and flour products was occasionally cut off, the municipality has been unable to fulfill its contractual obligations. Last year, the specialized companies under the foreign trade departments arranged with foreign traders for the raw materials to be imported in advance and to be paid for after the exporting of finished products. By this means, the fulfillment of contracts was guaranteed. Third, the foreign trade departments know in advance the proper time to import materials for processing and the amount of materials to be imported; while the production departments can arrange for their production according to the contracts and have more initiative in the supply of goods. The foreign trade departments also have a timely grasp of the current prices on the foreign market. Furthermore, by exporting finished products processed from imported materials, we can generally earn 30 percent more foreign exchange than we can by charging only for the labor in processing imported materials.

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CSO: 4006/568

FOREIGN TRADE

HONG KONG INVESTMENT SPEEDS RESORT CONSTRUCTION

Shenzhen SHENZHEN TEQUBAO in Chinese 14 Jun 82 p 2

[Article: "Construction of the Lake Xiangmi Resort Village Speeded Up"]

[Text] In a location 9 kilometers to the northwest of the Shenzhen City district, a large-scale tourist resort center--the Lake Xiangmi Resort Village--is now actively under construction.

The Lake Xiangmi Resort Village is under the joint management of the Shenzhen Special Region Development Company and the Hong Kong Zhichang Development Company, Ltd. The total investment runs to HK\$220 million. The area under construction totals 3,260 mu. Construction is to include an artificial lake, resort villas, a high-rise hotel, restaurants serving Chinese and Western food, an international tourist club, and entertainment hall. The project is being carried out in three stages. Construction of the first project began on 18 November 1981 with an investment of HK\$50 million. At present, excavation is underway for an artificial lake with an area of 800,000 feet. A stone bridge is being built on the lake, and 150 individual resort villas are being built. The Hong Kong business representative who is managing the progress of the project said that the first project should be completed in November 1982.

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CSO: 4006/548

## FOREIGN TRADE

### LARGE HONG KONG INVESTMENT FOR CONSTRUCTION ANNOUNCED

Shenzhen SHENZHEN TEQUBAO in Chinese 14 Jun 82 p 2

[Article: "Wen Huotai, a Hong Kong Compatriot From Shenzhen, Invests a Huge Sum To Build a New 'City of Splendor'"]

[Text] It has been decided to undertake a comprehensive, large-scale reconstruction of the old city region of Shenzhen. The Shenzhen Special Economic Zone Development Company and Mr Wen Huotai [2429 0129 3141] of Hong Kong have agreed to cooperate in carrying out this reconstruction project. An investment of about HK\$1.68 billion will be required to complete this project. Mr Wen Huotai is taking the responsibility for raising this fund. For this purpose, the "Huacheng Company, Ltd" has been formally established, with Mr Wen Huotai as general manager. It will have the concrete responsibility for this work.

The old city of Shenzhen has a history of 300 years. Since the Special Economic Zone was started on a pilot basis, modernization construction has gone on in all quarters of the city. Because of the age of the old city, many shops and residences are in disrepair, and streets and roads are narrow and uneven. A rapid change of the features of the old city has become an urgent task in building the special zone. The scope of reconstruction of the old city covers a total area of up to 240,000 square meters, including the area to the south of Renmin Xinjie, the area to the west of Dongmen Road, the area to the north of Huancheng Road, and the area to the east of Jianshe Road and Xinyuan Road. It is planned to reconstruct this old city into a "city of splendor" having a Chinese national style and the characteristics of the south. It will have modern facilities. After the construction has been completed, most of the buildings and shops will be rented or sold to foreign merchants and appropriate enterprises from the interior and group economic businesses. The project of reconstructing the old city will be carried out in three stages. The first project involves an investment to HK\$130 million. Work is formally scheduled to begin at the end of the year and is expected to take 1 year to complete.

Shenzhen is the ancestral home of Mr Wen Huotai, who is enthusiastic about this reconstruction project. Most recently, he told a reporter that reconstructing the old city of Shenzhen is a very significant matter, and that it is being vigorously supported by the local people. He deeply believes that in 3 years, this "city of splendor" will truly become a flourishing tourist and commercial city.

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CSO: 4006/548



## FOREIGN TRADE

### ARTICLE NOTES OPENING OF SPECIAL ECONOMIC ZONE IN XIAMEN

Fuzhou FUJIAN LUNTAN [THE FUJIAN FORUM] No 3, 20 Jun 82 pp 76-79, 75

[Article by Fang Xiaoqiu [2455 2556 8002]: "The Preferential Treatment Policy of the Xiamen Special Economic Zone"]

[Text] The opening of experimental "special economic zones" marks a major step forward in our continued effort to speed up socialist modernization and to find new ways to stimulate economic growth. Our ability successfully to operate the special economic zones and later on to build more of them at a faster pace depends on how well we can make use of the experiences we have gained from the economic construction in our own country; how well we can benefit from the examples of success or failure of the special economic zones operated abroad; and how well we can borrow those foreign experiences that lend themselves to socialist adaptation. It seems that most special economic zones operated abroad owe their success to a clear stipulation of the favorable conditions available to foreign investors in those zones. Therefore it is necessary for us to formulate a good inducement policy as an attraction of our special economic zones to foreign investors; the rate of their growth, and the chances of their success or failure will all depend on it.

On 10 March 1982, the Fifth Fujian Provincial People's Congress adopted the "Statute on the Establishment of Special Economic Zones in Fujian Province" at its fourth session. The statute is now before the National People's Congress for review. In April the Fujian Provincial People's Congress also adopted the "Regulations Governing the Registration and Management of the Enterprises Located in the Xiamen Special Economic Zone," "Regulations Governing Land Use in the Xiamen Special Economic Zone," and "Regulations Governing Labor Management in the Xiamen Special Economic Zone." These three separate sets of regulations will be promulgated together with the Statute on the Xiamen Special Economic Zone. The foreign capital inducement policy as set forth in these legislatures embodies the practical experiences our nation has acquired in the past 2 years in operating special economic zones. It follows in wording the statute and regulations concerning the operation of special economic zones in Guangdong Province, and incorporates various measures that have proven effective in the operation of special economic zones in certain countries and regions of Southeast Asia. In the following paragraphs we wish to offer our comments on some of the major issues dealt with in our inducement policy.

## The Main Principles of the Inducement Policy

The induction of foreign capital into the Xiamen Special Economic Zone must first of all obey the principle of "equality and mutual benefit, accord through consultation," the guiding principle for the operation of special economic zones. "Equality and mutual benefit" was one of the five principles for peaceful coexistence proposed by Premier Zhou Enlai at the 1955 Bandung Conference. Since the founding of the new China, we have based all our foreign relations on the principle of equality and mutual benefit. In developing our economic relations with foreign countries and in operating experimental "special economic zones," we must still abide by this principle of "equality and mutual benefit, accord through consultation."

Obviously the rejection of this principle would result in one party either profiteering at the expense of the other party or leaving no benefits for the other party. Such lopsided economic relationships would have no hope of lasting. Even the signing of contracts would not guarantee that such relationships would survive, stabilize and develop.

What we mean by "equality and mutual benefit" includes both immediate and long-term benefits. It is true that people are now being asked to obey the objective law of economics and to make sure everything pays for itself. Such economical considerations have prompted a number of comrades to demand quick profit with every contract that they sign. If they do not see a "fast buck" in operating special economic zones, they lose interest. They are suffering from the "fast buck mentality." It is true that we have to consider immediate gains. Nevertheless, it will be short-sighted of the builders and operators of socialist special economic zones to concern themselves with the immediate gains.

We must look far down the road and make a forecast of what income will be forthcoming in 5 years, 10 years, and 20 years. Developing economic relations with foreign countries and building special economic zones is just like starting a manufacturing business--investment in factory buildings, trial production, achievement of peak profit. Therefore, it is not right to aim for a high profit in the early stage of the operation of special economic zones. This is because: 1. Our special economic zones are either in the investment or in the trial production stages. They have yet to reach the peak profit stage. 2. It takes time for our nation to break out of its economic isolation from the rest of the world. We still lack experiences in doing business with capitalists. We may have to "pay" for those experiences. At this time, we cannot weigh advantages and disadvantages purely in terms of profit figures. In cases where foreign investors can bring with them advanced technology, show us management techniques, provide jobs, and help us develop our own production, they should be welcome even if in the beginning they may make far more profit than we do. This is because their investments can generate some long-term benefits for us.

Furthermore, when we say we are offering favorable conditions to induce foreign investments, we are implying that we will allow foreign investors to have a rate of return higher than the average rate attainable in the international marketplace and to earn a profit that is higher than normal. We must take into consideration the fact that foreign merchants can still earn some interest by putting their money in the bank. Therefore, if we only allow them a profit from their investments no higher than the bank interest they can earn with their money, we are not offering any inducement. By the same token, if we only allow them a rate of return for their industrial and commercial investment no higher than the average rate attainable elsewhere, we are not offering any inducement either. In this context, it is necessary for our inducement policy to guarantee a higher rate of return than normal for foreign investors.

Some comrades will be quick to ask this question: Will our inducement policy be at cross-purposes with our objective of setting up special economic zones? In our opinion, the objective of establishing special economic zones is "to promote economic cooperation and technical exchange with foreign countries in order to speed up socialist modernization." If we wish to be successful in operating special economic zones, we must offer inducements and put foreign investments (including investments by overseas Chinese) to work. Our promise to foreign investors that they can earn an above-average profit from their investments will induce them to bring their money to the special economic zones. For the present, the more profit the foreign investors can make, the faster we can turn over foreign money, and the more foreign money will be available to us, and the faster our special economic zones will develop. All this will benefit our people in the long-term. In other words, a policy that provides incentive to foreign investors does serve our objective of setting up special economic zones and help our effort in developing economic cooperation and technical exchange with foreign countries and in accelerating socialist modernization in our own country.

Another consideration are the conditions in Fujian Province. Its economic base is not as solid as that of Guangdong Province and its transportation less developed. Furthermore, the Xiamen Special Economic Zone is a latecomer in its field. For these reasons, the Xiamen Special Economic Zone should offer more favorable conditions than the special economic zones in Guangdong Province and some Southeast Asian countries and regions in order to be successful in attracting foreign capital. For example, the Shengchuan and Zhuhai Special Economic Zones in Guangdong Province are closer to Hong Kong, Macao and other foreign markets than our Xiamen Special Economic Zone. The shipping costs for foreign investors in those two zones will be lower. Other special economic zones in some Southeast Asian countries and regions are also well-established and offer many conveniences. The construction of our Xiamen Special Economic has just barely begun. If it were to offer the same inducements as the other special economic zones, it would have a hard time attracting foreign capital. Therefore the decision to offer more favorable conditions to foreign investors who come to our Xiamen Special Economic Zone is a correct and necessary one.

For many years, our Fujian Province is known to have made few investments in heavy industry or in other major construction projects and to have neglected the development of its coastal areas around Xiamen City. To make up for lost time, we have all the more reason to attract foreign investments with added incentive for foreign investors. By doing so we may be able to speed up the economic construction in our province, to learn useful lessons of economic management from capitalism, and to find new methods of economic reform in our province.

#### The Main Features in our Inducement Policy

Our policy to attract foreign investments in the Xiamen Special Economic Zone has the following main features:

1. Advantages in the lease of land: Foreign investors will be allocated as much land as they need for their purposes. Their lease can run for a maximum of 50 years and may be renewed when necessary upon its expiration. However, the title to the land belongs to our socialist state. A foreign investor will pay his rent to the Xiamen Special Economic Zone Administrative Committee. The rent will vary according to the location of the land lot, the renter's profession, the use to which the land is put, and the type of technology the renter will bring with him. In my opinion, the rent may start at the minimum of 1 yuan per square meter and reach a maximum of 80 yuan per square meter (for tourist purposes). In the export processing zones operated by Singapore, Malaysia, Sri Lanka and South Korea, the rent ranged from a fraction of a yuan to over 1 yuan per square meter for the earliest renters. In other countries and regions, the rent started at 2 or 3 yuan. Therefore, if the rent were to start at 1 yuan per square meter in the Xiamen Special Economic Zone, it would be one of the lowest rents charged in Asia.

2. Advantages in wages: Cheap labor is an important factor in attracting foreign capital to export processing zones. The pay scale, the way wages will be paid, the bonus schedule for Chinese staff and workers, as well as the share of the employers' contribution to the social security fund the extent of state subsidies are all clearly set out in the Regulations Governing Labor Management for the Xiamen Special Economic Zone. Foreign investors are required to set out the conditions of employment in formal employment agreements.

The question is how to set the pay scale for the Xiamen Special Economic Zone? The general guideline is that the pay scale for the Xiamen Special Economic Zone must be lower than that of the export processing zones in a number of Southeast Asian countries and regions and that of the special economic zones in Guangdong Province but higher than the domestic pay scale of China. There are three factors in determining the pay scale: (a) In the early stage of the operation of the Xiamen Special Economic Zone, workers are expected to have a lower labor input and lower labor efficiency than those working in the export processing zones in Hong Kong and the rest of Southeast Asia. (b) Prices are higher in the Shengchuan and Zhuhai areas of Guangdong Province than in our Xiamen City. (c) Chinese staff and workers in the Xiamen Special Economic Zone

must not earn wages too much higher than those working in the rest of Xiamen City and the rest of Fujian Province. For the present, I believe the wage rate for staff and workers of the Xiamen Special Economic Zone should be around 40 percent of that for Hong Kong workers and from 60 to 70 percent of that of the staff and workers in the Shengchuan Special Economic Zone. The pay scale of staff and workers of the Xiamen Special Economic Zone may exceed that of Xiamen City workers by 30 percent. This will be reasonable. Under normal circumstances, to peg the pay scale of the Xiamen Special Economic Zone at 40 percent of the Hong Kong pay scale will make it about 30 percent lower than Shengchuan pay scale and about 30 percent higher than Xiamen City pay scale. However, prices and wages have been historically volatile in Hong Kong and Shengchuan. In comparison, the prices and wages in Xiamen City have been relatively stable. In case the price and wage indexes in Hong Kong, Shengchuan and Xiamen should get away from their normal differentials, we should find a more reasonable ratio to avoid drastic widening of the gaps. Once the Xiamen Special Economic Zone is in operation, the price and other indexes are expected to rise. We should either make wage adjustments as we see fit or make it mandatory to adjust the wages according to the cost-of-living increases. This might pave the way to narrowing the gap between the pay scale in Xiamen and those in Hong Kong and Shengchuan.

The Statute on the Xiamen Special Economic Zone stipulates that foreign enterprises located in the Special Economic Zone should pay Chinese staff and workers, on a monthly basis, social security benefits and staff and workers' allowances just like the Chinese state-run enterprises. I suggest that the entire benefit and allowance package should not exceed 50-70 percent of the staff and workers' salaries. An evaluation of the 1980-81 statistics indicates that this kind of benefit and allowance package can best reflect the spirit of our inducement policy.

We all know that in China we are implementing the principle of "distribution according to one's work." A worker gets a share of what the society produces according to his services to the state. Wages is one form by which he is remunerated for his work. Chinese staff and workers are paid differently from their counterparts in capitalist countries. Remuneration in the form of direct salaries represent only a small portion of their wages. The bigger portion comes in the indirect form of various state allowances and social security benefits (the allowances and benefits add up to 122 percent of individual salaries in May 1980). Unlike in a capitalist country, China does not assess personal income taxes. So it may appear that a Chinese worker earns far less than his capitalist counterpart, but he spends far less too. This means that the foreign businesses that come to the Xiamen Special Economic Zone will spend far less in wages than if they were to operate in many South-east Asian countries. Yet the Chinese staff and workers employed in the Xiamen Special Economic Zone will earn 30 percent more in income than their domestic counterparts in the rest of Xiamen City and Fujian Province. In other words, this arrangement will provide foreign businesses with cheap labor on the one hand and will guarantee an added income for those who find employment in the Xiamen Special Economic Zone on the other hand.

Furthermore, we must not overlook another aspect. Xiamen City has a better cultural and educational environment than Shengchuan and Zhuhai Cities in Guangdong Province. This means the quality of labor available in Xiamen City is better. This will help the introduction of new production technology and skills into our province. This factor must be considered when we set up inducement conditions concerning wages.

3. Advantages in taxes: The income tax rate is 15 percent in the Xiamen Special Economic Zone, the same rate as approved by the National People's Congress for the special economic zones in Guangdong Province. Foreign investors who come to the Xiamen Special Economic Zone may even qualify for the special privilege --a tax holiday lasting from 3 to 5 years--as an encouragement if they: (a) make their investments in the first 2-year period after the promulgation of the "Statute on the Xiamen Special Economic Zone," or (b) make investments of over 8 million yuan in Renminbi, or (c) bring advanced technology with them, or (d) cannot expect to recover their investments in a short time because of the nature of their business, or (e) fill a special need as determined by the Special Economic Zone Administrative Committee. In addition, a foreign investor who reinvests his proceeds in the Xiamen Special Economic Zone and whose reinvestment is of a long-term nature for a duration of not less than 5 years, he is further exempted from income tax on the profits generated by his reinvestment.

Furthermore, the various regulations governing the operation of the Xiamen Special Economic Zone also set out qualifications for exemption or reduction of import duties, export taxes, and industrial and commercial uniform taxes. For example, all the machinery and equipment, spare parts, raw materials, transportation tools, and other materials needed for production purposes are all duty-free. Office supplies and household goods that must be imported into the Special Economic Zone may qualify for a reduction of import duties. These exemptions and deductibles will be clearly set out in the Special Economic Zone Tax Schedule.

4. Advantages on the depreciation of fixed assets: By normal accounting method, depreciation is the reduction of value of fixed assets year after year over their entire life and it is charged to the cost of operation annually. The Xiamen Special Economic Zone will allow foreign businesses, as long as they show a profit in their operation, to speed up the amortization process or to change the method of computation so as to depress their profit figures and to reduce their tax liabilities. This will also constitute a benefit for foreign investors, a benefit that will also be included in the Statute on the Xiamen Special Economic Zone. To opt for tax benefits from faster depreciation, foreign investors must get approval from the Special Economic Zone Administrative Committee. In other words, there are two options for foreign businesses--tax exemptions or tax benefits through quickened depreciation. Foreign businesses may choose one of the two options that gives them the most advantage.

Besides, there are also other benefits available. For one thing, the after-tax legitimate income for foreign businesses located in the special economic zone and the after-tax legitimate income for foreign staff and workers,



overseas Chinese staff and workers, and staff and workers from Hong Kong and Macao (including compatriots from Taiwan) working in the zone can be freely repatriated without further taxes. For another, foreign businesses can take advantage of the export prices and other benefits in China's export promotion program if they pay foreign currencies for machinery, equipment, raw material and other articles produced in China.

The Statute on the Xiamen Special Economic Zone also clearly stipulates that foreign businessmen who invest in existing enterprises in Xiamen City and who will find export markets for their products (products that are not exported yet but will be exported under active promotion) will enjoy the same benefits in importing means of production and in filing for income tax deductions just as if they were investing in the Special Economic Zone.

#### The Implementation of the Inducement Policy

If we are successfully to accomplish the objectives which our policy of inducing foreign investments into the Xiamen Special Economic Zone is designed to accomplish, we have to make a tenacious and patient effort in the following areas:

First of all, we must achieve a unanimity of opinion. We must get everybody to agree that an inducement policy is necessary and justified. Because of the conditions in Fujian Province as described in this article, it is absolutely necessary for us to offer added benefits in order to induce foreign investments. For the immediate future, it may appear at first glance that by offering foreign investors more favorable conditions than anywhere else, enabling them to make more profit can only benefit the foreign investors, not us. It is not so. Our benefits will be in increased job opportunities, increased foreign exchange revenues, and miscellaneous economic gains. Lenin once said that if we are to enlist the help of capitalism to develop our socialist economy, we have to pay a price. We have no choice but to hand over to the capitalists several hundred percent or even several thousand percent profit. Nevertheless, "What we will get out of it will be the things that count. With these things, we can certainly grow strong, stand tall, and eventually win an economic victory over capitalism." ("Complete Works of Lenin," Vol 31 p 435) In this context, the inducement policy will no doubt help us in our effort to build up socialism and communism. If we are not short-sighted and if we can see both the immediate and long-term gains in offering added benefits to foreign investors, we will understand that our inducement policy is not only extremely necessary but also completely justified and reasonable.

We must mount a publicity and education campaign to create an awareness among the masses and cadres, particularly those in leadership positions. Once they are agreed over the usefulness of the inducement policy, they will work in concert to make the inducement policy work and to speed up the construction of the special economic zone.

Secondly, once the statute and various regulations governing the operation of the Xiamen Special Economic Zone are promulgated, the inducement policy will become law. And as law, it must be fully respected and strictly enforced. The principles and main features of the inducement policy as it applies to the Xiamen Special Economic Zone have been a full year in their formulation before being written into statutory form. They represent the collective wisdom gleaned from the findings of special studies and investigations, recommendations from administrative and theoretical departments, and opinions from the broad masses of people. In other words, the Statute on the Xiamen Special Economic Zone and the three separate regulations governing its operation represent the voices of both the leaders and the people. Upon their promulgation, they become law and as such they must be strictly obeyed, rigidly enforced. Anyone who violates them will be punished. By the same token, they cannot be amended without due legislative process. If we do everything by the book, foreign investors will no longer fear the uncertainties as expressed in the saying "the Province of Fujian is where policies frequently change." It is true that as our social and economic life continues to change and develop, the legislation concerning the special economic zone has to keep pace. In other words, the inducement policy applicable to the Xiamen Special Economic Zone has to develop toward perfection along with the development in the zone. Nevertheless, all amendments and additions to the policy must be made according to legislative procedure and do not come into force until their effective dates.

We must cultivate a conscientious and efficient style among our personnel to guarantee the proper implementation of the inducement policy. In other words, we need people who are conscientious, have a sense of responsibility, have integrity, follow the rules and regulations, and have the courage to do what needs to be done. Once a policy is set, it is up to the people who are firmly committed to it to implement it. This year, the CPC Central Committee and the State Council, determined to improve the quality of national life both materially and spiritually, have taken effective steps to streamline the government structure, to improve the efficiency of government operation, and to punish such unlawful economic activities as smuggling and embezzlement. These moves are of historical significance. Like the proverbial east winds that move things along, these moves will also provide a strong impetus to the construction of special economic zones in Fujian Province as well as the promulgation and implementation of the statute and regulations concerning their operation. As long as the cadres and the masses of the Xiamen Special Economic Zone and of the rest of Fujian Province concerned with the affairs of the zone treat the inducement policy as embodied in the Statute on the Xiamen Special Economic Zone and in the three separate sets of regulations governing its operation made ready for promulgation with great respect and seriousness and implement the inducement policy with a firmness of purpose and thoroughness of application, the construction of the Xiamen Special Economic Zone will soon move into a higher gear.

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CSO: 4006/564



FOREIGN TRADE

NEW MARINE CONTAINER FACTORY OPENS IN SHENZHEN

OW222301 Beijing XINHUA in English 1532 GMT 22 Sep 82

[Text] Shenzhen, 22 Sep (XINHUA)--A new marine container factory with an annual production capacity of 4,000 containers officially opened today in the Shenzhen special economic zone, Guangdong Province.

The factory was built with joint investment by the China Merchants Steam Navigation Co. Ltd. in Hong Kong and the East Asiatic Co. Ltd., Copenhagen of Denmark. The joint venture is managed by the China International Marine Containers Ltd. and a board of directors composed of representatives of the two companies.

Liu Tianfu, governor of Guangdong Province, cut the ribbon at the ceremony. Attending were R. Thorning Petersen, Danish ambassador to China, Tao Qi, adviser to the Chinese Ministry of Communications, and Shenzhen city officials.

Since beginning trial operation in June, the factory has produced more than 100 containers, to be delivered soon to a United States firm.

Construction of the new factory began in January 1981. The workshop buildings cover a total floor space of 6,500 square meters.

To date, Shenzhen's Shekou Industrial District, construction of which is undertaken by the China Merchants Steam Navigation Co. Ltd., has imported 35 enterprises, including 26 factories. The new container factory is the eighth that has started official operation.

CSO: 4020/2

FOREIGN TRADE

'XINHUA' COMMENTATOR RAPS FUJIAN SMUGGLING CASE

OW200925 Beijing XINHUA Domestic Service in Chinese 1225 GMT 19 Sep 82

[Article by XINHUA commentator: "Smuggling and Trade in Smuggled Goods Are Not Permitted by Law"]

[Text] Beijing, 19 Sep (XINHUA)--Fujian Province has cracked an important case of smuggling, trade in smuggled goods and corruption for self-interest. It has again proved with startling facts the extreme importance of the struggle against serious economic crime.

A great distinguishing feature of this economic criminal case in Fujian was collusion between inside and outside forces and between higher- and lower-level personnel in smuggling and in trade in smuggled goods. Some cadres who were CPC members, including responsible cadres of some county, prefectural and provincial departments concerned, turned out to be the principal persons lured and bought over by the criminals. The economic criminals include some hostile elements who had fired sugar-coated bullets at our cadres for the primary purpose of obtaining a "protective umbrella" to facilitate their crime of sabotaging socialism. Seeking pleasure and self-interest, some cadres gradually degenerated; in the end they completely departed from the correct course and fell into the abyss of crime. The exposure of these social phenomena greatly helps us in understanding and analyzing the class struggle under the new circumstances, in adopting effective ways to deal with it accordingly and in insuring that our modernization program follows a socialist course.

The party Central Committee and the State Council have repeatedly instructed: No enterprises, institutions, rural communes and production brigades, government and mass organizations, party members or cadres are permitted to take part in smuggling or in trade in smuggled goods. Neither are they permitted to protect or shield in any way smuggling and trade in smuggled goods.

The overwhelming majority of organizations, party members and cadres have resolutely adhered to this instruction issued by the party Central Committee and the State Council. However, some organizations, including the Nanan County department store, and a very small number of leading cadres have ignored the

party Central Committee's instruction and the State Council's decrees and have continued to commit the crimes of smuggling and of trading in smuggled goods. These crimes are absolutely not permitted by law and party discipline.

In his report to the 12th CPC National Congress, Comrade Hu Yaobang pointed out: Among those who commit grave criminal offenses in the economic sphere, "apart from law-breakers in society at large, are a tiny number of degenerates in party and government organizations and in the armed forces who have been corrupted by capitalist ideology. They cause tremendous damage to economic construction, upset social stability, debase the standards of social conduct and corrupt people's minds and life. They are termites undermining the edifice of socialism."

No doubt, only by completely eliminating these "termites," can we consolidate our edifice of socialism. It was entirely necessary and correct for the Fujian Provincial CPC Committee and the departments concerned to have sternly dealt with the important case of smuggling, trade in smuggled goods and corruption for self-interest in Nanan County. This case will educate the broad masses of party members and cadres and make them more vigilant against attacks by sugar-coated bullets; it will enhance their ability to resist corruption by capitalist ideology and to remain sober and firm revolutionaries.

CSO: 4006/13

## FOREIGN TRADE

### BRIEFS

EXPANSION OF FOREIGN CAPITAL--In our province during the first half of this year there have been great developments in absorbing foreign capital and introducing technology. According to statistics, we have taken in a total of over \$9 million in foreign capital and there has been an increase in foreign exchange earnings for the state of over \$6 million. This year the foreign trade department has reached agreements with businessmen from Hong Kong, Oman, Singapore, Japan, Italy, the United States, England and West Germany for 28 projects involving the processing of imported materials, the assembly of imported parts, compensatory trade, cooperative production, joint capital partnership financing, etc. These economic contacts will not only supplement certain industrial material resources, they will also play a positive role in rebuilding medium and small-sized enterprises. Through technological cooperation with Japan, the Dalian Sea Fishery Company improved their fishing technology and changed the backward state of their maritime communications and liaisons so that they received great economic benefits. [Text] [Article by Li Zhicai [2621 1807 2088] and Wang Xintang [3769 2450 1016]] [Shenyang LIANONING RIBAO in Chinese 23 Jul 82 p 1] 9864

SHANDONG EXPORT PLANS--Under the inspiration of the 12th National Party Congress, Weihai Municipality, Shandong Province has enthusiastically discussed its economic trends and worked out plans for fulfilling the fighting goal set forth by the 12th party congress. The municipality plans to export commodities worth 29 million yuan by the end of the 20th century. To fulfill the task, the municipality also plans to develop industrial, agricultural and commercial networks in a big way. [SK281106 Jinan Shandong Provincial Service in Mandarin 2300 GMT 27 Sep 82 SK]

GUANGDONG COUNTY PROMOTES BUSINESS--Chenghai County in Guangdong Province has implemented the open-door policy and vigorously developed work of processing materials supplied by foreign firms as well as compensation trade. In the first half of this year, the county signed 27 contracts for processing materials supplied by foreign firms, the number of products processed by the county increased by some 150 kinds and the processing charges earned were \$1.7 million and were approximately 200 percent more than in the first half of last year. [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 26 Sep 82 HK]

## TRANSPORTATION

### FUJIAN INCREASES COMMUNICATIONS CONSTRUCTION

OW210953 Beijing XINHUA Domestic Service in Chinese 0106 GMT 20 Sep 82

[Text] Fuzhou, 20 Sep (XINHUA)--Fujian Province has stepped up construction of harbors, merchant ships, airports and telecommunication facilities, creating conditions for further expanding economic activities with foreign countries. In the past 3 years, the province has invested more than 304 million yuan.

Six harbors are currently under construction in Fujian Province, of which Dongdu harbor in Xiamen and Mawei harbor in Fuzhou are mainly foreign trade ports. The first stage construction of Dongdu harbor consists of 4 deepwater berths for 10,000-ton-class and larger ships. Of these, the 10,000-ton No 1 berth and 50,000-ton No 2 berth, with the completion of their major facilities at the end of the last year and subsequent completion of auxiliary facilities, will soon be checked, accepted and put into use. The No 3 and No 4 berths are being built at an accelerated pace. Mawei harbor, which consists of two 10,000-ton berths and two 5,000-ton berths, is under construction.

Fujian Province has also bought a number of ships in the past few years to build up a merchant fleet. Total tonnage has increased from some 30,000 tons at the end of 1979 to more than 84,000 tons now. In addition to sailing between major Chinese ports, new shipping lines between Fuzhou and Hong Kong, Fuzhou and Singapore, Fuzhou and Manila and Fuzhou and Bangkok have been opened. The long-suspended Xiamen-Hong Kong line and passenger and cargo ships running between Fuzhou and Shanghai were also resumed in March this year.

A year ago, Fujian relied mainly on Fuzhou airport, which could only be used in daylight by small airplanes, for civil air transport. After extension, it can now handle, day and night, such large aircraft as Tridents and Boeing 737's. Since the extension project was completed and put into use in April this year, the airport's passenger and freight volume has increased by about 300 percent over that before extension. After ground-breaking and start of work at the beginning of the year, the construction of the Xiamen airport has made fairly rapid progress. It is a medium-sized international airport, and, when completed, will be used by Tridents, Boeing 737's and other passenger aircraft.

In the past 3 years, telephone and telegram services between Fujian and foreign countries as well as Hong Kong and Macao have been expanded, step by step. At present, telephone connections have been established with more than 40 countries, and telegram connections with more than 100 countries and areas. This year, direct telephone circuits have been opened between Fuzhou and Hong Kong, and both Fuzhou and Xiamen have opened international telex services, greatly adding to the convenience of overseas Chinese, Hong Kong businessmen and foreign friends in Fujian.

CSO: 4006/23

## TRANSPORTATION

### ELECTRICIFICATION OF YINGTAN-XIAMEN RAILWAY URGED

Fuzhou FUJIAN RIBAO in Chinese 21 Jun 82 p 2

[Article by Guo Baoku [6753 1405 1655]: "Electrification Is the Best Way To Solve the Contradictions of Transport Volume and Transport Capacity of the Yingtan-Xiamen Railway"]

[Text] The Yingtan-Xiamen Railway is the communications artery of Fujian Province. Since the Third Plenary Session, there has been a vigorous development of agricultural and industrial production and a rapid increase in transport volume. The shipping capacity of the present Yingtan-Xiamen Railway has reached the saturation point, and the contradiction between transport volume and transport capacity has become extremely pronounced.

The segment of the Yingtan-Xiamen Railway in which the contradiction between transport volume and transport capacity is most pronounced is the segment from Yingtan to Shaowu. In this area, it must cross the Dahe Mountains, in which the gradient of the railway reaches .020. Two locomotives are used to pull a train, and the drawing weight of each freight car is only 1,600 pounds. The speed is some 20 kilometers. Thus, shipping capacity is subject to severe limitations, with the result that this segment has become the "bottleneck" in the shipment of goods in and out of Fujian Province. Next is the segment from Yong'an to Zhangping which crosses the Daiyun Mountains. The gradient of the railway here reached 0.022. The pulling weight of a double engine is 1,300 pounds, and the speed is even slower. Thus, this segment is another "bottleneck." The Yingtan-Xiamen Railway is divided into three segments by the Wuyi Mountains and the Daiyun Mountains. If we wish to solve the contradiction between transport volume and transport capacity, we have three choices. We can build a new railway line and divide up the transport volume; we can build a double track from Yingtan to Xiamen to increase the shipping capacity; or we can electrify the existing railway to increase shipping capacity.

On the basis of long-term planning for railway networks, there are to be new lines for the three provinces of Fujian, Jiangxi, and Guangdong. As for Fujian, however, the tracks are to join at Longyan, to the south of the Daiyun Mountains. Because of the geographical characteristics of the mountainous region at the borders of Fujian, Jiangxi, and Guangdong, the process of building a new railway would be extremely great. There would be bridge and tunnel connections, and it would be necessary to invest a huge amount of funds

which would be beyond the present financial capacity of the nation. Next, it would take a long time to build a new railway. This would make it hard to relieve the present urgent situation with respect to transport volume. Third, the new line would connect in southern Fujian. The road over the Daiyun Mountains and the Dahe Mountains is still not open, so only a portion of the freight in the southern Fujian region can be sent by a separate line, alleviating the tense situation on the Yingtian-Xiamen line slightly. However, large quantities of freight for shipment within the province would, as before, have to go by the Yingtian-Xiamen line, so that it would be difficult to sustain the alleviation.

Some people have proposed building a new railway line from the Zhejiang-Jiangxi line to the Fuzhou region. Although the terrain for this line is somewhat more level, it would still have to cross the Wuyi Mountains. This, too, would be a large project. Furthermore, many agricultural regions and many mines have been opened up along the line, so there are limits to the transport volume. The Zhejiang-Jiangxi line in particular is in a region that is close to saturated. Even if a new line were built, there would be no way, out so it would amount to a deadend line. Moreover, a comparatively large amount of agricultural fields would have to be appropriated in the building of a new line. In Fujian Province, in which there is not enough field area for everyone, this must be handled even more cautiously. For this reason, we must await further evidence as to the economic costs of building this line.

A study has also been made of plans for building a double Yingtian-Xiamen line of double lines in localized areas. With regard to building a double line, we must take into consideration the basic conditions of the original design of the Yingtian-Xiamen line. In many segments of the Yingtian-Xiamen line, the topography is steep and the geological structure is complex. There are many rapidly flowing rivers among the mountains, and areas of high fills and deep excavations lie close to each other. There is a particularly large number of defects in the roadbed, of which the principal are landslides, falling rocks, collapse of siding slopes, wind erosion, subsidence of road embankments, and riverbank erosion. The radii of the curves of the line are small, and it changes direction to follow the mountains. It is situated at the bases of the mountains and beside rivers, and is full of twists and turns. The total length of the line would be 693 kilometers and the total length of the curves would be more than 400 kilometers, with a total of more than 1,300 curves. This is an average of two curves per kilometer. Thus, the surface conditions of the line would be comparatively poor. If we wanted to move the curves, a wide area would be involved. Projects for damage repair, slope protection, and retaining walls since the line was opened to traffic have required a huge investment of funds in order to maintain normal traffic now. If we were to consider increasing the radii of the curves and building a double line, this would inevitably involve a large amount of reconstruction and waste. Not only would there have to be a large investment and a large project, but it would also be difficult to guarantee normal transport, and roadbed that has been strengthened may be destroyed. Moreover, we do not know when the defects in the new construction could be eliminated. Looking ahead and to the past, it would seem that such plans as building a double line, local double lines, and downgrades would be very difficult to bring to fruition.



On the basis of analysis and research into the actual circumstances of this railroad, we believe that it is primarily the motive power for the Yingtan-Xiamen railway that should be changed, and that rebuilding of the original line should be reduced to a minimum so that the plan for achieving the objective--increasing transport capacity--will be geared to the actual circumstances.

Of the types of locomotives in transport and construction in this country, the Shaoshan Model electric locomotive has the characteristics of great efficiency and of capacity to climb slopes. With it, haul weight can be doubled and speed can be doubled. For this reason, electric locomotives are an ideal hauling power. Electric locomotives are locomotives that get their power from outside. The energy that they require is transmitted from power stations by electric wires and substations and is supplied by a contact network with the result that the locomotive can have comparatively great efficiency. Because electric locomotives have outstanding hauling characteristics, after the electrification of Yingtan-Xiamen line has been effected, it will be possible not only to bring about a great increase in passenger transport capacity but also to double the freight shipping capacity. That is, after electrification the Yingtan-Xiamen railway will be able to take on the transport capacity of two Yingtan-Xiamen railways powered by steam locomotives. Thus, the contradiction between transport capacity and transport volume will be resolved comparatively well.

The project of electrification of the Yingtan-Xiamen Railway will be concentrated primarily on the building of power transmission lines, substations for hauling and a contact network and reconstruction of such facilities as maintenance, communication and signal facilities, as well as on extending stations to a comparatively greater length along the line in order to meet the demand for an increase in hauling weight. Basically there will be no changes in the original plane and vertical sections of the railway, so that the economic effects of the past 20 years of investment will be fully brought into play. The project for electrification of the Yingtan-Xiamen Railway will cost only one-third the total investment for building a second line per kilometer and only one-fourth the investment for building a new line.

To summarize what has been said, electrification of the Yingtan-Xiamen Railway will require a small investment that will be rapidly effective and projects that will be of marked economic efficacy. It will have a major effect on making the economy of Fujian Province flourish and hastening the four modernizations.

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CSO: 4006/548

## TRANSPORTATION

### IMPROVEMENT OF ORDER ALONG TIAN-LAN RAILWAY REPORTED

Lanzhou GANSU RIBAO in Chinese 6 Jul 82 p 1

[Article: "Unified Leadership, Overall Reorganization, Comprehensive Treatment, and Attention to Guidance: Notable Improvement of Order Along Tian-Lan Railway Section; Persons Riding Train Without Tickets Greatly Reduced; Evil Trend of Mass Stealing of Coal, Stealing of Transported Goods, and Destruction of Railway Facilities Basically Checked; Disturbances of Order in Stations and on Trains Notably Reduced; Criminal Cases and Deaths and Injuries Outside the Railway Line Significantly Reduced"]

[Text] After 3 months of overall reorganization and comprehensive treatment, a new orderly appearance is currently emerging in the stations and trains of the Tian-Lan Line, which has been in a state of chaotic disorder for a long time.

The railway section from Tianshui to Lanzhou is 248 km long. It is an important section of the Long-hai Line which is the country's east to west communications artery. For many years, there has always been disorder. The phenomena of passengers riding without tickets, forced riding in cargo cars, mass stealing of coal, throwing stones at the trains and stealing of railway transported goods, and destruction of railway materials and facilities were relatively serious. In April of this year, the central leadership comrades issued an important directive on the problem of putting the Tian-Lan railway section in order, requiring the local, railway, and public safety groups to be jointly responsible for the restoration of order. It also pointed out that many problems which appear to be very difficult to solve can be solved very quickly if we rouse our enthusiasm and take hold of the work.

Since April, determined firmly to carry out this important directive from the central leadership comrades, the provincial Party Committee and the provincial People's Government have adopted a series of decisive measures to engage intensively in the reorganization of railway safety and have done a large amount of detailed work. On 3 April, the committee called a meeting of its standing members to discuss conscientiously the directive, and established a small leadership group for the reorganization of order on the railroad. On 7 April, the provincial Party Committee and provincial People's Government called a meeting of responsible comrades from 7 units directly under the provincial

government, 4 local municipalities, 12 counties, and the Lanzhou Bureau of Railway to study the work of restoring public order under their jurisdiction along the railway. After the meeting, 7 related provincial departments and bureaus and the Lanzhou Bureau of Railway organized a joint working group. Headed by a vice governor, the group traveled to various stations and sections along the railway to start its work. During 25-29 April, Comrade Feng Jixin [7458 4764 2450], the first secretary of the provincial Party Committee, called a report-back meeting, participated in by responsible comrades from related units and from local and county committees along the rail line. Comrades from the Ministry of Railway and the working group of the Ministry of Public Security also participated in the meeting. They jointly discussed and established concrete measures and ways to restore public order along the Tian-Lan rail section. After the meeting, the following three items of work were carried out:

1. Establish specialized organizations, strengthen unified leadership, improve efficiency of reorganization work. After the small leadership group for reorganization of public order was established within the province, corresponding organizations were also established by the 4 regions and 12 counties and municipalities along the line as well as the railway stations and sections and public security departments. Public order has been sorse at nine stations along the line of the Tian-Lan rail section and on two slow trains. The leadership group dispatched 385 persons to the stations to assist the work on the trains and to solve problems immediately as they were discovered. Within a period of only 1 month, the public order at these stations and on the trains was greatly improved, which established the foundation for the improvement of order along the entire line.

2. Joint actions both along the line and outside the line, mutual coordination by various areas, and practice of united battle and comprehensive treatment. Regardless of where a problem occurred, as long as it affected the public order of the railway, all took action jointly to solve the problem. In regions suffering damages along the line, they not only paid attention to the proper arrangement of the production and livelihood of the masses but they also educated the masses in observing discipline and abiding by the laws and assisted the masses in establishing agreements for mutual supervision and compliance to protect the road and care for the trains. At the same time, they developed among the railroad staff and workers a movement of "people's railroad for the people"; to respect the passengers and care for the cargo and to provide superior service, various regulations and systems were established and perfected.

3. Use legal weapons to deal a blow to the criminal elements. After investigative studies, the public security departments established key sections for control operations along the line, strictly controlling the occurrence of passengers riding without tickets, forced riding in cargo trains, and the theft of transported goods. Harsh treatments were carried out against such criminal activities as collaboration from within, theft by insiders, theft of transported goods, and criminal activities on the train. Punishments according to public security regulations were dealt to persons who were leaders in robbing transported goods and those who violated the law by receiving stolen

stolen goods. Fines were levied on passengers who rode the trains without tickets and persons who forced their way on to cargo trains in spite of advice to the contrary. In handling these cases and those of related persons, various forms of mass meetings were called to publicize widely the results.

After nearly 3 months of conscientious efforts, the conditions along the Tian-Lan rail section have turned around notably. Passengers without tickets riding the No 443/444 slow train have decreased from 73 percent in the past to 10 percent. On the No 445/446 slow train, the rate has decreased to around 7 percent. The number of persons forcing their way on to cargo cars has decreased. The evil trends of mass stealing of coal, theft of transported goods, and destruction of railway facilities basically have been checked. Sanitation and service quality on the trains have also improved. Events which disturb peace and order in the stations and on the trains have particularly been greatly reduced. Criminal cases, deaths and injuries on the rail line have all shown notable reductions. Comparing the period of part of April and the month of May after reorganization, the number of criminal cases dropped by 55 percent. Compared with the same period a year ago, the number dropped by 71.9 percent, including a drop of 80 percent in major and important cases.

Recently, the small leadership group for the reorganization of order on the railway of the provincial People's Government called a meeting in Longxi County. The meeting emphatically pointed out that the results of reorganization of order along the Tian-Lan rail section have been very great. However, it also pointed out that a number of problems still exist. And results already accomplished should be strengthened and a considerable amount of detailed work still needs to be done.

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CSO: 4006/567

## TRANSPORTATION

### BAO-TIAN SECTION OF LONG-HAI LINE NEARS COMPLETION

Lanzhou GANSU RIBAO in Chinese 4 Jul 82 p 1

[Article by Wang Ming-kui [3769 2494 1145]: "Rush Construction of Key Projects of Bao-Tian Railway Basically Completed; Transportation Capacity Is Nearing Last Year's Level Before Flood Damage"]

[Text] The rush construction of key projects of the Bao-Tian section of the Long-Hai Railway has basically been completed before the start of the rainy season. Some improvements have been made to the quality of the line and the through transportation capacity is currently nearing the level of last year before the flood damage.

In August of last year, the Bao-Tian section suffered flood damages. The line was broken in 14 of the 19 regions through which it passes and transportation was stopped for nearly a month. This greatly affected economic construction and people's livelihood in the northwest sector of our province. After rush repairs, service was temporarily restored. However, because damages along the line were not totally repaired, trains had to move slowly in many sections, which greatly limited the through transportation capacity and the train operating safety was seriously threatened. With the approval of the State Council, rush construction of this railway section began this year and it was listed as a key railway project in the country. Based on the requirements of "guaranteeing safety of travel through floods" and "rushing construction and improving transportation capacity at the same time," the central command for rush construction concentrated its forces during the first half of the year on key projects of bridges and culverts and tunnels which would threaten the safety of train movement during the rainy season. The principal leaders of the Ministry of Railway and the central command for rush construction went many times to make on the spot investigations and studies, and to help solve key problems in construction. The leading cadres of the bridges and rail lines repair team of the first engineering section of the Xian Railway Bureau, which is responsible for the construction tasks, personally visited the sites to direct the work and to eat, sleep, and labor with the staff and workers. The construction, planning, and transportation and business units have established the ideology of "one game of chess" and coordinated with each other closely. The railway workers and civilian workers struggled shoulder to shoulder to overcome transportation and material supply difficulties, and the support and switching tasks for the middle bridge

span at the 1,298-kilometer point were completed on 22 May. The main project for the Ming Tunnel at the 1,357-kilometer point, which was damaged by a mountain slide of over 600,000 square meters of earth on 29 November of last year, was completed 24 days ahead of schedule. After the completion of these key projects, sections where trains have to move slowly have been greatly reduced and the train movement speed has gradually increased. During rush construction, transportation tasks were done fairly well. During the first quarter, 1.240 million tons of goods were shipped out of Tianshuikou, equivalent to 93.9 percent of the volume shipped out in the same period of last year. At present the number of passenger and cargo trains passing through the Bao-Tian section has reached 20 pair [sic], which is approaching the level before the flood damage.

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## TRANSPORTATION

### BRIEFS

GANSU AIR SERVICE--Lanzhou, 31 Aug (XINHUA)--Air service from the Gansu provincial capital of Lanzhou to Dunhuang opened with the arrival of 48 passengers at the newly-constructed Dunhuang airport 12 kilometres east of the county seat this morning. The route, 1,040 kilometers, originates in Lanzhou, arriving just less than 4 hours later in Dunhuang via Jiuquan, and returning to Lanzhou the same day. Currently, flights make the round trip every Tuesday and Friday. Today's maiden flight carried 16 French to Dunhuang and 14 Australian passengers on the return trip. Dunhuang, in the western part of the province and famous for its 1,600 -year-old Buddhist grottoes, was a caravan stop on the silk road linking ancient China with western Asia and Europe. The 492 Mogao grottoes near present-day Dunhuang city display more than 2,000 colored Buddhist statues and 45,000 square meters of murals. More than 10,000 foreign tourists visited the grottoes in the past 3 years. They had to travel 24 hours by train from Lanzhou, then another 3 hours by bus. [Text] [OW101133 Beijing XINHUA in English 1837 GMT 31 Aug 82 OW]

XINJIANG HIGHWAY TUNNEL--Urumqi, 4 Sep (XINHUA)--Drilling of the No 3 tunnel for a highway through the Tianshan was completed Wednesday, according to the regional road transport department. The project is located in the middle of the Xinjiang Uygur Autonomous Region in northwest China. Started construction in 1979, the tunnel extends 1,897 meters at a width of 7.5 meters through a snow-capped mountain 3,800 meters in elevation and connects the northern and southern sections of a 560-kilometer-long highway crossing the Tianshan. It involves removing 166,000 cubic meters of stonework. The highway, starting from Dushanzi in north Xinjiang, goes to Kuqa County in the south. It crosses 2 swift-running rivers, 3 snow-capped mountain slopes 3,500 meters above sea level, and a grassland. Usually, it takes 4 days to travel across the Tianshan by truck via Urumqi or via the Ili Valley. The project, undertaken by a unit of the engineering corps of the Chinese People's Liberation Army, is expected to help improve the road transport between the northern and southern parts of Xinjiang now separated by the mountains. [Beijing XINHUA in English 1231 GMT 4 Sep 82]

SHANGHAI UNDER-RIVER TUNNEL--Shanghai, 3 Sep (XINHUA)--Construction began today on Shanghai's second traffic tunnel beneath the Huangpu River. The tunnel is scheduled to be completed around 1986. Investment in the project is estimated at 150 million yuan, according to the municipal construction department. The new tunnel will be 2,261 meters long and 4.5 meters high, the department said. The traffic lane in the tunnel will be 7.5 meters wide and will be able to handle 420 buses carrying 50,000 people per hour. The second tunnel's ventilation, lighting and fire-fighting facilities are designed to be better than the first, which opened to traffic in 1971 and mainly handles cargo. About 300,000 Shanghai residents cross the river on ferry boats and through the first tunnel each day, the department said. [Text] [Beijing XINHUA in English 1515 GMT 3 Sep 82 OW]

GUANGXI IMPROVES WATERWAY TRANSPORT--Nanning, 13 Sep (XINHUA)--Expansion of a transmit harbor with a designed annual capacity of 2.57 million tons of cargo is among several projects on the mainstream of the Pearl River, the longest in south China, according to the water transport department of the Guangxi Zhuang Autonomous Region. The harbor, located in Guixian County, serves as a link for water transport on the Xijiang River, the western section of the Pearl River, and the Litang-Zhanjiang railway. The Xijiang River Basin, situation in the sub-tropical zone, is rich in timber and mineral resources, including coal, aluminum, phosphorus, manganese and pyrites. Started in September last year, the expansion scheme is expected to raise the harbor's annual handling capacity to 2.57 million tons of cargo from the present 1.25 million tons after completion by the end of 1983. This should help boost the river's transport of coal, fertilizer and industrial raw materials and of export goods, the transport department said. Another project under discussion is the building of a harbor at Maoershan, near the Guixian transit harbor. Three berths are designated in the program to handle coal, phosphorus and pyrites, respectively, with a combined annual capacity of 6.7 million tons. This effort also includes building 2 ship locks at Guiping and Guixian, and removing shoals and dredging the water course below Guiping to permit passage of 1,000-ton-class barges to Hong Kong and Macao. [Text] [OW231219 Beijing XINHUA in English 1219 GMT 13 Sep 82 OW]

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## GENERAL

### BRIGHT FUTURE SEEN FOR GANSU DEVELOPMENT

Lanzhou GANSU RIBAO in Chinese 8 Jul 82 p 1

[Article by Feng Jixin [7458 4764 2450], first secretary, Gansu Provincial Committee, Chinese Communist Party: "Develop Gansu With Concerted Efforts"]

[Text] Gansu is located along the Huang Ho River basin in the heart of our fatherland. It is one of the areas where the Chinese people originally flourished. There are 14 nationalities living in Gansu, including Han, Hui, Zang, Yugu, Dongxian, and Sala. Gansu is large, rich in resources with abundant energy resources. The total area is 450,000 square km. Reserves of molybdenum, copper, lead, zinc, and petroleum occupy an important position in the nation. Hydraulic resources total more than 14 million kilowatts. The daylight hours are long and abundant solar energy is available for utilization. The total cultivated acreage is more than 53 million mu. There are 200 million mu of grasslands, suitable for the development of animal husbandry and industries processing animal products. These provide superior conditions for Gansu's economic development.

In ancient times, Gansu had a glorious culture and a developed economy. The "silk road," renowned at home and abroad, passed through Gansu. The wall paintings in the Thousand Buddha Cave at Donghuang are renowned as a bright star among the cultural and art treasures of the world. The Maijishan grotto at Tianshui is called the sculpture palace of the East. Before liberation, because of generations of reactionary control and ruthless exploitation by the ruling class, the economy and culture of Gansu gradually declined and the people's livelihood was extremely poor and difficult. When Zuo Zongtang suffered demotion and came to Gansu, a memorial was sent to the throne that "sufferings in Gansu head the list under heaven." Since liberation, very great changes have taken place in the appearance of Gansu and the standard of living of the people has gradually improved. The industrial production value has increased by 60 times since the initial period of liberation. And an initial industrial foundation with the primary elements of nonferrous metallurgy, petroleum chemicals, machine processing, electric power, woolen textiles, and tanning has been formed. The Lanzhou Municipality has developed from a consumer city of less than 200,000 people at the beginning of liberation to a newly developed industrial city of 1 million. Gansu is a lovely place; it has very large potential for development and a very bright future.

However, our province is situated in the far border area. Its culture is backward. The industrial technology and business management standards are relatively low and economic benefits are relatively poor. Ecological destruction is extremely severe, drought excessive, and agricultural production very backward. Recently, the central leadership comrades issued an important directive on Gansu's work and asked us to eliminate "backward" from our vocabulary, broaden our vision, and do an even better job in the various activities of Gansu. This directive has greatly encouraged the more than 19 million people in the province. Starting from the practical conditions of Gansu, we must take a firm hold on diversification and widely engage in tree planting and grass cultivation. In industry, we must develop our advantages and avoid our disadvantages.

We must develop our dominant position and vigorously improve our economic benefits in order to open up a new prospect for the economic construction in our province and establish a new road of economic development with good economic benefits based on the actual conditions of Gansu. Since the start of this year, we have reached agreements on many cooperative projects with Shanghai, Tianjin, Guangdong, Jiangsu, and Shannxi and other provinces and municipalities. We welcome our brother provinces and municipalities to make investments and develop plants in our province and jointly to develop the resources of Gansu. In the 1950's and early 1960's, large groups of talented people came to Gansu from the interior. They provided the hard work for the construction of our province and made beneficial contributions. Among these comrades, many have now become the working backbone and leading forces in the various battle fields of our province. Today, we welcome even more those with aspirations from all parts of the country to come to Gansu and join us in making new contributions with concerted efforts for the development and construction of Gansu.

The Red Army's Long March passed through Gansu. It is part of the Shanxi-Gansu-Ningxia border region. In the past, the people of Gansu made important contributions to the liberation cause of the Chinese people. In 1965 when Comrade Ye Jianying made his inspection of Gansu, he encouraged us with the poem, "The achievements of Heroes endure a thousand years, I dare say that you latecomers will shame the worthy ones of the past." In our new long march toward the four modernizations, we firmly believe that under the correct leadership of the party Central Committee we shall build an even better and more prosperous Gansu as long as the entire people of the province go all out and work hard with one heart and one mind.

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CSO: 4006/567

## GENERAL

### SICHUAN'S DEVELOPMENT IN INDUSTRY, COMMUNICATIONS REPORTED

Chengdu SICHUAN RIBAO in Chinese 5 Jul 82 p 1

[Article by Overall Production Section of Sichuan Provincial Economic Commission: "Steady Increase in Industrial and Communications Production in Our Province"]

[Text] Since the beginning of this year, there has been an all-round reorganization of enterprises on our industry-communications front with a view to fulfilling production targets ahead of schedule and to actively develop industrial production, all centering around the improvement of economic results. We have also provided more active leadership in organizing production and carried out ideological and political work with great success, thanks to the combined efforts of the broad masses of cadres and workers. In the first half of this year, production increased steadily with improved economic results. The total industrial output value in the province was 11.3 percent over the same period last year, and the profits handed over the state from local industry were also fairly greatly increased. More than one-half of the annual tasks were fulfilled ahead of schedule. This was the best performance in the past several years.

The production of energy was also fairly satisfactory. By tapping their resources and paying attention to safety in operation, the energy departments have maintained a steady increase in production. The plans for the coal, electric power and natural gas for the first half year were all over-fulfilled. The average daily coal output by the principal mines along transportation routes was 48,200 ton, an 11.3 percent increase over the same period last year; and the average daily output of electric power by the main power grid was 37,514,000 kwh, a 9 percent increase, or the highest record ever attained in the first half of any year. The output of natural gas was 50.6 percent of the annual plan. This provided favorable conditions for the development of industrial production.

The recovery of heavy industry was rapid. Readjustment over the past 2 years has changed the product mix in heavy industry. Orders for heavy industrial goods have greatly increased, and in the first half year, the production of pig iron, steel, rolled steel, cement, soda ash and caustic soda were all increased by a wide margin. The total heavy industrial output value was 13.6 percent over the same period last year, and more than originally expected.

Light industry also continued to develop. The light industry departments carefully attended to technical transformation and increased the output of goods in demand. The production of machine-made paper, canned food, bicycles, sewing machines, cotton yarn, cotton cloth, vacuum flasks, batteries and plastic products was greatly increased. The total light industrial output value for the province in the first half of this year increased by 8.9 percent over the same period last year.

The production plans for communication and transportation were over-fulfilled every month. The railway and the local transportation departments took active measures to raise transportation efficiency and increased the volume of cargo traffic by 29,530,000 tons and 6,597,000 tons, or 10 percent and 7.5 percent respectively over the same period last year. The records of railway traffic in March and April were the highest compared with those of the same months in all past years.

The majority of economic and technical indices were more satisfactorily fulfilled than they were in the same period last year. Because of the changed guiding thought in organizing production, economic results have been universally improved. From January to May, the total volume of sales by the local industrial enterprises in the province amounted to 4,703 million yuan, a 7.46 percent increase over the same period last year. The turnover of fixed circulating funds required 0.79 day less than in the same period last year. The annual output value created by each individual worker or staff member in state-run industry was 3,502 yuan, a 7 percent increase, and the number of deaths among the workers and staff members was reduced by 0.03 in every thousand.

There are now still many problems in industrial and communications production, and some of the new conditions and new problems deserve our serious attention. First the quality standards of a small number of products have been up and down, while the production costs have risen; secondly, the strain on transportation facilities has been increased because of the fairly rapid upswing in heavy industry; and thirdly, some products are unwanted in the market, resulting in overstocking.

To fight a successful battle in industrial and communications production and to improve the economic results more rapidly in the third quarter of this year on the basis of the achievements in the first half year, the provincial government has decided to convene a provincial industrial-communications telephone conference this afternoon for working out the plans of action.

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CSO: 4006/568

## GENERAL

### METHODS OF IMPROVING TOURIST INDUSTRY SUGGESTED

Beijing ZHONGGUO CAIMAO BAO in Chinese 20 Jul 82 p 3

[Article by Li Zhucang [2621 4554 6319]: "How To Improve Economic Results in Tourism?"]

[Text] How to improve the economic results in our developing tourism?  
This is now a thought-provoking question.

Many people are of the opinion that there should be fairly favorable conditions for the improvement of economic results in tourism since it is a service trade requiring no raw materials or warehouses, and the turnover of funds--of which only small amounts are required--is quick and the profit margin is wide. Actually, however, it is not so. The tourist guest houses, restaurants and other units in some localities, because of poor management or inexperience, may seem to be very busy; but their actual economic results are far from ideal. Some units even suffer losses. To ensure the healthy development of tourist economy, therefore, we must improve the management and the economic results in tourism by doing our work well in the following respects:

1. The system of economic responsibility should be universally adopted in the tourist units. Some guest houses, restaurants, hotels and hostels should quickly practise their own independent economic accounting so that they will carry out meticulous calculations and strict budgeting in ensuring that profits in the required amounts can be handed over to the state. They must not be allowed to report their losses indefinitely as operating expenses of government organs in the style of "eating from the same pot." Nor can they use their revenues from foreign guests to subsidize their expenses in treating "domestic guests." Some hotels, guest houses and tourist facilities should be under professional management so as to overcome departmentalism. Based on past experiences, it would be best for them to be under the unified control of the tourist department so that their operation can be more flexible and the conflicts between different departments can be avoided.

2. Adjustments should be made for busy and lax tourist seasons. At present, spring and autumn are the busy seasons for the tourist trade, and many localities are in a state of hibernation for 3 or 4 months each

year. We must try to develop tourism even in the lax seasons by fully utilizing our latent tourist facilities. For example, we can offer discounted fares during the lax seasons of international tourism, hold various national conferences, and grant leaves of visiting relatives to the workers and staff members, all during the lax seasons. In short, domestic tourism has to be confined to the lax seasons, in order to even up the pressure in the busy seasons when international tourism is expected to increase.

3. We should step up our work in investigations, study and analysis on the sources of tourists. Foreign tourist organizations attach great importance to the analysis on the sources of tourists, and that is why they can accurately anticipate the changes in the sources of tourists, launch their publicity campaign accordingly, and develop their business. Although the sources of international tourists for our country at present do not constitute any problem, as far as the number of tourists is concerned, the attractions to tourists and the status of tourists are gradually changing. The impression of many foreign tourists is that there are generally temples, parks and caves for sightseeing in China. The schedules are repetitious and there are not many varieties. We must carefully study the different tastes of the tourists and try to vary the attractions as a means of developing tourism.

4. Control over foreign exchange certificates must be strengthened. Foreign exchange certificates are now being used by tourists in our country. There are some loopholes in the control over the circulation of these certificates, and it is possible that many of these certificates cannot be withdrawn by the state as they should have been. Black market dealings or illegal buying and selling of these certificates are rife in some ports. If we want to improve the economic results of tourism, we must, therefore, strictly control the outflow of foreign exchange certificates. We must learn from the methods used in other countries in order to close the loopholes which may jeopardize our national economy.

5. We must suitably attract foreign funds. The proper use of foreign funds can help improve our economic results. At present, some ports handling tourist traffic and the hotel and transportation facilities are seriously inadequate. They must be suitably expanded or increased before they can cope with the task of tourist development. Our limited funds should first be used to meet more urgent needs in construction, and it may be advisable to invite foreign merchants' participation in the development of tourism. Foreign merchants are more experienced in tourist management, and their participation can give us the opportunity to learn from one another.

6. Tourist commodities should be vigorously developed. Many countries in the world are regarding their revenues from the sales of tourist commodities as an important component of their income from tourism. Such revenues in Singapore and other regions account for more than 50 percent of their entire income from tourism. Our arts and crafts, native and special products, jewelry, calligraphy and painting, and cultural objects

are enjoying world fame. As long as we attach great importance to them and develop their sales vigorously, we can not only increase our foreign exchange earnings, but also provide jobs to many people. Tourist commodities must suit different tastes; their designs must be improved along with the improvement of their quality and packaging; and, at the same time, we should accept the handling of consignments at home and abroad for the convenience of the tourists.

After all, in order to improve the economic results of tourism, our main task is to tap the latent resources, fully utilize our equipment, and offer better services. There are many things for us to do, but the most important one is to fully arouse the enthusiasm of the workers, to learn more about this profession, and to actually improve our management.

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SHANGHAI MAYOR DISCUSSES ECONOMY, INDUSTRY, NUCLEAR POWER

HK271433 Hong Kong HSIN WAN PAO in Chinese 26 Sep 82 p 1

[Special dispatch from reporter Tseng Te-cheng [2582 1795 2052]: "Wang Daohan on Industry and Nuclear Power Station in Shanghai"]

[Text] Shanghai, 26 Sep--While meeting reporters from Hong Kong this morning, Wang Daohan, mayor of Shanghai, said: In a period of 5 years or so, technical transformation will be completed step by step in the enterprises in Shanghai. In this process, Shanghai will absorb advanced experiences from various countries and areas in the world and import capital and technology from foreign countries. In this respect, Shanghai will promote its contacts with Hong Kong. This will be beneficial to the industrial development of Shanghai and the prosperity of Hong Kong.

Wang Daohan added: According to the report delivered by Hu Yaobang at the 12th CPC Congress, China will strive to quadruple its total output value of production by the end of this century. With regard to Shanghai, its industrial output value will be increased to 240 billion yuan (renminbi) by then. He stressed that Shanghai is confident of attaining this objective because Shanghai has qualified scientists and technicians. There are about 50 universities and colleges and 400,000 technicians and a number of talented people who are apt at administration and management in the city. To quadruple its industrial output value, Shanghai should mainly rely on science and technology. As far as the material base is concerned, technical transformation will be carried out in the existing enterprises in accordance with an overall plan which takes both "microscopic" and "macroscopic" arrangements into consideration.

He went on to say: With the recent visit of the British Prime Minister Mrs Margaret Thatcher to Shanghai, the plan for technical cooperation with Britain has been basically formulated, which is aimed at reforming the Yaohua Glass Plant. The floating method will be used to produce glass.

Wang Daohan revealed that he talked with Mrs Thatcher on the establishment of a British consulate in Shanghai and a tentative site for the consulate will be presented to Britain soon. Hongqiao District will be built into an area where consulates of various foreign countries are located in 2 or 3 years.



He said: Apart from the development of Hongqiao District, Minghang District will also be turned into an industrial area. Some businessmen from Hong Kong have already set up factories in the area. Shanghai neither plans to establish a special economic zone nor turn itself into a free port like Hong Kong. Shanghai is a socialist industrial city and an economic center.

He stressed that Shanghai is designing and carrying out research work for its nuclear power station. Most of the equipment and facilities of the state are produced by China. The station is expected to go into production in 5 to 7 years' time. The nuclear power station in Shanghai is different from that in Guangdong. No foreign tenders will be invited for the nuclear power station in Shanghai. Even if it is necessary to import foreign technology, Shanghai will only buy patent rights and the equipment and facilities it will manufacture itself. This nuclear power station is called "Project 728" because the decision of this project was made as early as August 1972. The project was interfered with and suspended during the cultural revolution.

Shanghai is preparing to welcome the Japanese Prime Minister Zenko Suzuki who will arrive in Shanghai on 30 September. Prime Minister Suzuki will also visit the Baoshan Iron and Steel project.

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## SHANGHAI MAYOR TALKS ON ENCOURAGING INVESTMENT

HK271511 Hong Kong WEN WEI PO in Chinese 27 Sep 82 p 3

[Special dispatch by WEN WEI PO reporter: "Shanghai Mayor Reveals Preferential Customs System To Be Worked Out To Encourage Foreign Investment"]

[Text] Shanghai, 27 Sep--While receiving Hong Kong correspondents at the Jinjiang Club on the morning of 26 September, Shanghai Mayor Wang Daohan expressed that the establishment of closer economic relations between Shanghai and Hong Kong would not only stimulate Shanghai's economic development, but also would benefit Hong Kong's economic prosperity.

Nuclear Power Plant Project in East China Will Be a Two-Phase Project; It Will Mainly Depend on China-Made Equipment

Wang Daohan revealed that Shanghai is considering the introduction of some preferential terms to promote the economic development of foreign trade. He said that Shanghai would make concrete the principles as stipulated in the law on joint ventures involving Chinese and foreign capital, and is considering the introduction of some preferential terms in the field of distribution and proportion in revenue and profits so as to promote investment by businessmen from Hong Kong and foreign countries. He revealed that Shanghai would perfect relevant laws and regulations to benefit the economic cooperation in foreign trade, and the major principles would be formulated at the end of this year or early next year.

He was confident that Shanghai would achieve the goal of quadrupling its total output value by the end of the century. Shanghai's GNP value was 60 billion yuan in 1980, and would be 240 billion yuan if this figure was quadrupled.

He disclosed that a contract for joint ventures involving Chinese and British companies manufacturing plate glass with the floating method will soon be signed and that production will be carried out in Shanghai's Yaohua glass factory.

A plan is now under study for developing a nuclear power plant in east China. Wang Daohan said that this nuclear power plant is different from that in Guangdong Province. Guangdong's nuclear power plant will purchase foreign equipment through tenders, whereas the nuclear power plant in east China will use equipment made by China itself and will be financed by China.

If the Offshore Oilfield in East China Sea Is Exploited, Shanghai May Serve as a Base

He also disclosed that the nuclear power plant will be built in two phases, of which the first one will take 5 to 10 years and its installed capacity will be 300,000 kilowatts. In the future, when the third phase project is completed, the installed capacity will be increased to 600,000 kilowatts.

On the issue of exploiting offshore oil in the East China Sea, Mayor Wang said it is necessary first of all to conduct a thorough investigation of the resources if this oilfield in the East China Sea is to be exploited. Offshore drilling is being conducted by the Geology Ministry for the time being. When exploitation is carried out in the future, there must be a rear base area and Shanghai will certainly serve as such a base due to its geographical situation. He said that there is a promising future for the exploitation of the East China Sea oilfield. Not long ago, he was informed by the geology minister that natural gas had been found in some wells in the East China Sea.

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